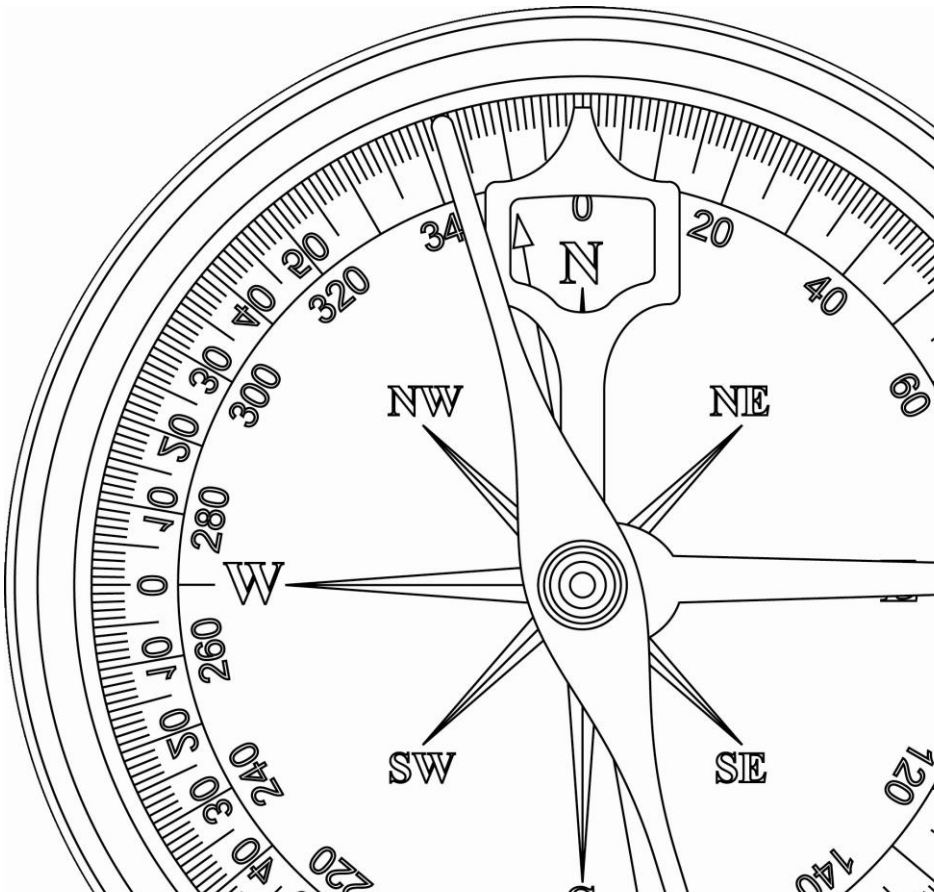
Jones Lang LaSalle

Real value in a changing world

Navigating through sustainability *reporting* standards

- A guide to Environmental Performance Reporting in the European Real Estate Sector
- Latest standards and protocols designed to help measure portfolio-wide environmental performance
- Learn how listed European real estate companies are reporting on their environmental performance through practical examples



Executive Summary

Sustainability has continued to rise up the agenda in boardrooms in all sectors and geographies – European real estate is no exception.

Over the course of a decade, voluntary corporate sustainability reporting has evolved from a fringe activity practiced by a handful of companies, to an increasingly widespread corporate norm – particularly among larger listed real estate companies.

An area of growing policy debate recently, however, has been the possible introduction of mandatory sustainability reporting regulation at both country and EU level. This has potentially significant implications for the entire European listed real estate sector.

In response to this policy debate, the European Public Real Estate Association (EPRA) has been engaging with its members to understand the industry's position on voluntary and mandatory reporting, culminating in the publication of its sustainability reporting Best Practices Recommendations (BPR) on the 1st September 2011. The BPRs provide a consistent way of measuring environmental performance – just as EPRA's BPRs for financial reporting have made the financial statements of listed real estate companies in Europe clearer and more comparable.

EPRA commissioned Jones Lang LaSalle to support the EPRA Sustainability Reporting Committee in undertaking a programme of work to:

- Establish consensus on a number of minimum/priority sustainability reporting disclosures and protocols for buildings in use in the European listed real estate sector.
- Develop more detailed guidance on the priority disclosures identified, resulting in the EPRA sustainability BPRs – by building upon relevant mandatory reporting requirements and voluntary initiatives, in particular the Global Reporting Initiative's Construction and Real Estate Sector Supplement (GRI CRESS).
- Contribute to the sector's preparedness for the possible introduction of more stringent mandatory sustainability reporting regulations, which are already broadly in place in a number of European countries including France and Denmark.

Purpose of this Guidance Document

This document first looks briefly at the drivers and barriers to sustainability reporting for European real estate investors. Each section deals with the specific recommendations made in the *EPRA Best Practices Recommendations on Sustainability Reporting,* summarised below, and then illustrates the key issues with practical examples from the European real estate sector.

Understanding landlord and tenant utility arrangements in multi-let buildings

What reporters need to know

- Understanding landlord and tenant utility purchasing arrangements is crucial in determining how to aggregate portfolio-wide absolute and intensity performance measures.
- As a general rule for absolute performance measures, the landlord should report all energy (and associated GHG emissions) or water that they buy or obtain, regardless of who consumes it and where it is consumed.
- Landlords may also choose to itemise and report tenant consumption that is sub-metered from the landlord supply and/or tenants' own supplies (if data is shared).
- For intensity performance measures, landlords need to abide by the overarching principle that numerator and denominator in intensity indicators must correspond.

Normalisation – accounting for year-on-year changes in portfolios

What reporters need to know

- Normalisation is an important analytical technique used in environmental performance reporting to account for year-on-year changes in portfolio size and composition.
- Matching numerator and denominator in intensity performance measures is the number one priority when reporting on an intensity basis. Mismatching can lead to misleading analysis.
- Where issues arise with mismatched numerators and denominators, reporters have several options including: exclusion of such properties from intensity analysis, adjustments, itemisation to separate building consumption from shared service provision or – the least prefered scenario – stating the existence of a mismatch.

Reporting trends – like-for-like analysis and segmental reporting

What reporters need to know

Like-for-like analysis

- Like-for-like analysis is a useful technique used to remove the impact of changes in portfolio size and composition. Like-for-like analysis is done by aggregating performance for a defined set of assets which have been consistently in operation and not under development during the preceding two reporting periods.
- Changes in vacancy should not be used as an exclusion criterion in like-for-like analysis, but can be used to explain trends in commentary.

Segmental reporting

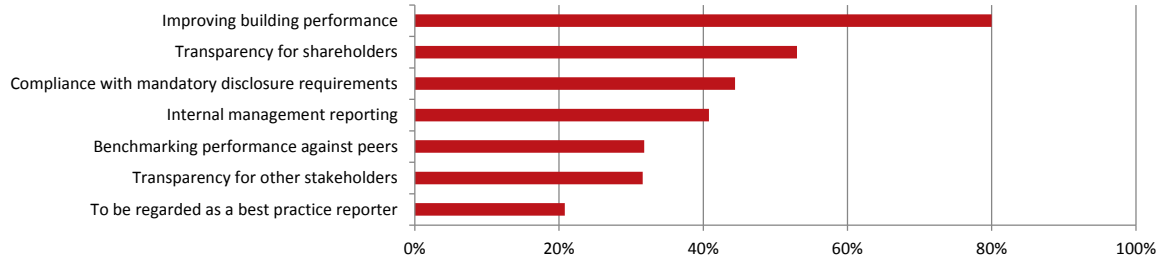
- Disaggregating overall corporate performance can provide useful insight for report readers – this is more commonly known as segmental reporting. Common forms of segmentation are by location (e.g. country or city) and asset type (e.g. office and shopping centre).

1 Drivers and barriers

Research conducted by Jones Lang LaSalle on behalf of EPRA found that nearly 40% of the EPRA Index Universe (83 companies) has some form of publicly available sustainability report – either as a standalone report or as an extensive sustainability section within Annual Reports. This insight suggests in the first instance that there are opportunities to increase the number of companies reporting in the real estate sector, but also that a high proportion of companies are at risk of being ill-prepared should mandatory reporting regulations come into force.

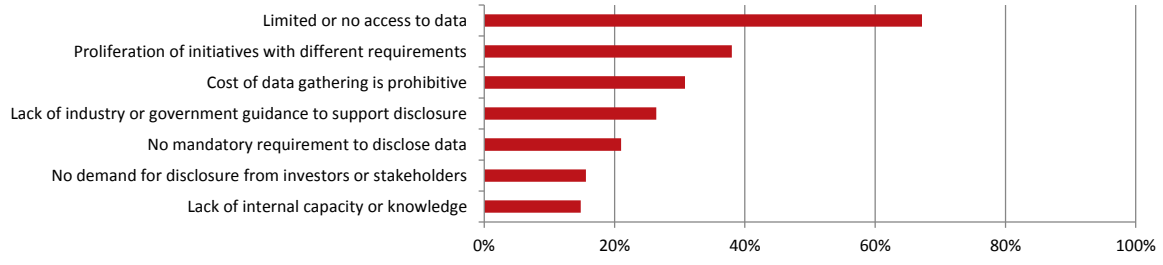
The research undertaken also provides insight into the primary drivers for voluntary sustainability reporting amongst Europe's listed real estate companies. The number one reporting driver cited by companies was to 'improve building performance'. The old adage 'you cannot manage what you don't measure' would thus appear to ring true for real estate reporters. The second most important driver cited by survey respondents was a desire 'to be transparent to shareholders'. In other similar cross-sector surveys this is often one of the most commonly referenced reasons for reporting. Meeting investor's information needs is therefore a key priority for real estate companies in respect of their reporting efforts. In contrast, 'lack of access to data' is cited in our survey as the number one barrier to reporting. **Chart 1** and **Chart 2** show the full results from the survey of EPRA members. What the results clearly demonstrate is that understanding and generating robust environmental performance data is a key driver – and barrier – for corporate sustainability reporting in the real estate sector.

Chart 1: Drivers for sustainability reporting



Source: Jones Lang LaSalle. Based on public information. Survey represents approximately one-fifth of the EPRA European Index constituents (20 companies). Percentage represents the proportion of respondents citing each driver as important.

Chart 2: Barriers to sustainability reporting



Source: Jones Lang LaSalle. Based on public information. Sample and percentage definition as above.

2 Measuring the right things – absolutes and intensities

Absolute performance vs. intensity performance

It is important from the outset to make a distinction between two different kinds of performance measures recognised by EPRA – those that address absolute performance and those that address intensity performance. This distinction is vital to understanding both the purpose and technical compilation of performance measures. Generally speaking, **absolute performance measures** (see **Box 1**) show the total, raw environmental impact – also known as footprint – of a company. Absolute indicators also represent a company's exposure to risk. For example, absolute energy consumption (measured in kWh or MWh) might be useful for investors who want to understand a particular company's exposure to rising electricity or gas prices, or regulatory risks such as the CRC Energy Efficiency Scheme in the UK. Assessing performance overtime using absolute indicators can prove challenging, however, as changes in portfolio size or composition (e.g. through acquisitions and disposals) can mask real changes in performance which result from proactive interventions by asset or property managers.

Box 1: EPRA Sustainability Performance Measures – Absolutes

- **Energy**: Total energy consumption from electricity, fuels and district heating and cooling
- **Greenhouse Gas Emissions**: Total direct and indirect GHG emissions
- **Water**: Total water withdrawal by source
- **Waste:** Total weight (and %) of waste by disposal route

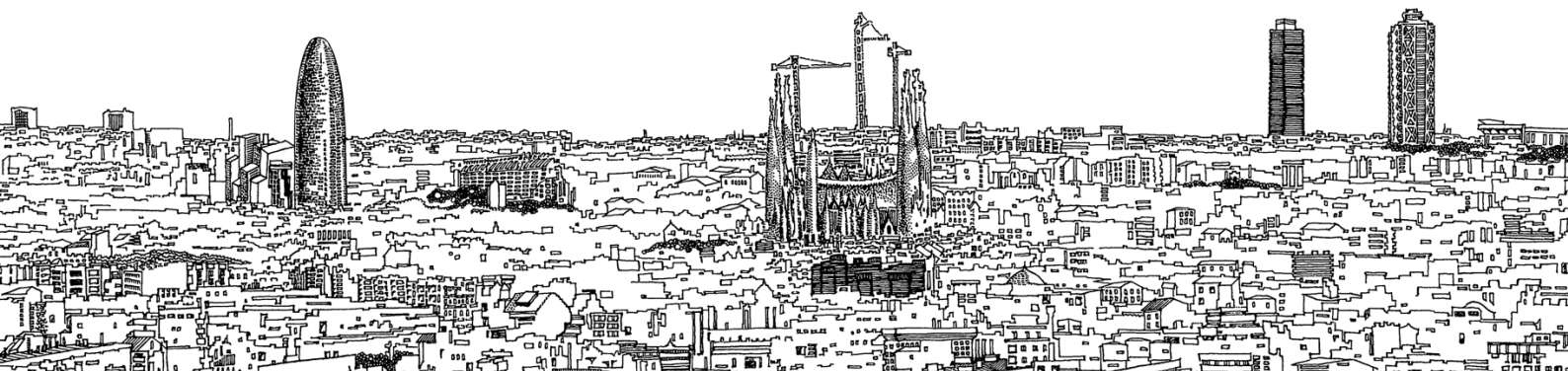
Source: EPRA Sustainability Best Practices Recommendations

In contrast, **intensity performance measures** (see **Box 2**) show the efficiency of different assets or portfolios over time by representing absolute performance (the numerator) relative to a corresponding denominator (typically floor area or a measure of numbers of people such as an office worker or shopping centre visitor) – such denominated intensity indicators are often said to be '**normalised'**. In essence, intensity performance measures take some account of changes in portfolio size or composition and show a more meaningful picture of company performance over time.

Box 2: EPRA Sustainability Performance Measures – Intensities

- **Energy**: Building energy intensity
- **Greenhouse Gas Emissions**: GHG intensity from building energy
- **Water**: Building water intensity

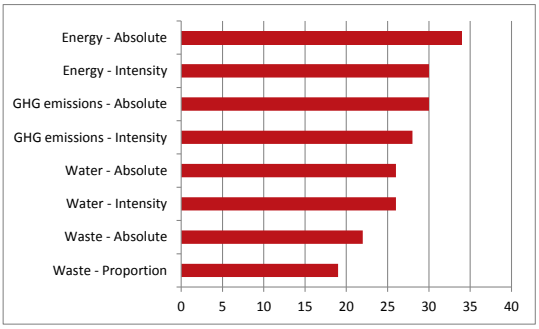
Source: EPRA Sustainability Best Practices Recommendations



Research insight: Use of absolute and intensity performance measures

Out of the EPRA Index Universe constituents currently reporting sustainability, how many are broadly using the EPRA Sustainability Performance Measures? An analysis of public sustainability reports conducted by Jones Lang LaSalle on behalf of EPRA in May 2011 shows that whilst there is relatively widespread use of both absolute and intensity performance measures in the European listed real estate sector, the most common practice is reporting absolute energy consumption. It is also interesting to note that reporting on greenhouse gas emissions (both absolute and intensity) is marginally less commonplace than reporting on energy performance. The analysis also reinforces the notion of water as the forgotten resource – with fewer companies reporting absolute or intensity water performance than energy and greenhouse gas emissions (see **Chart 3**). Waste performance is the least reported of the three environmental impacts.

Chart 3: Intensity vs. absolute reporting in Europe – Percentage of EPRA Universe



Source: Jones Lang LaSalle. Based on public information.

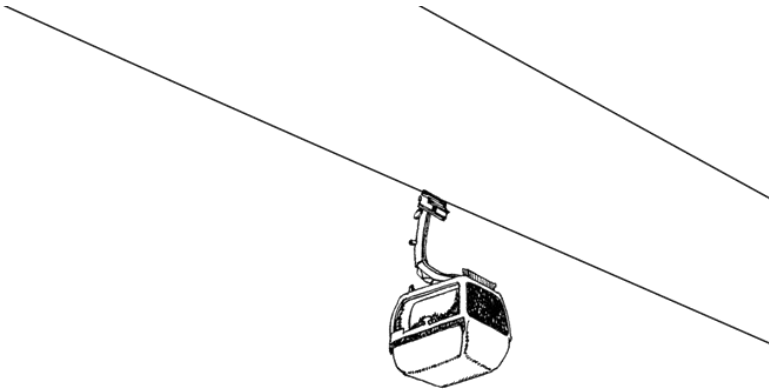
.

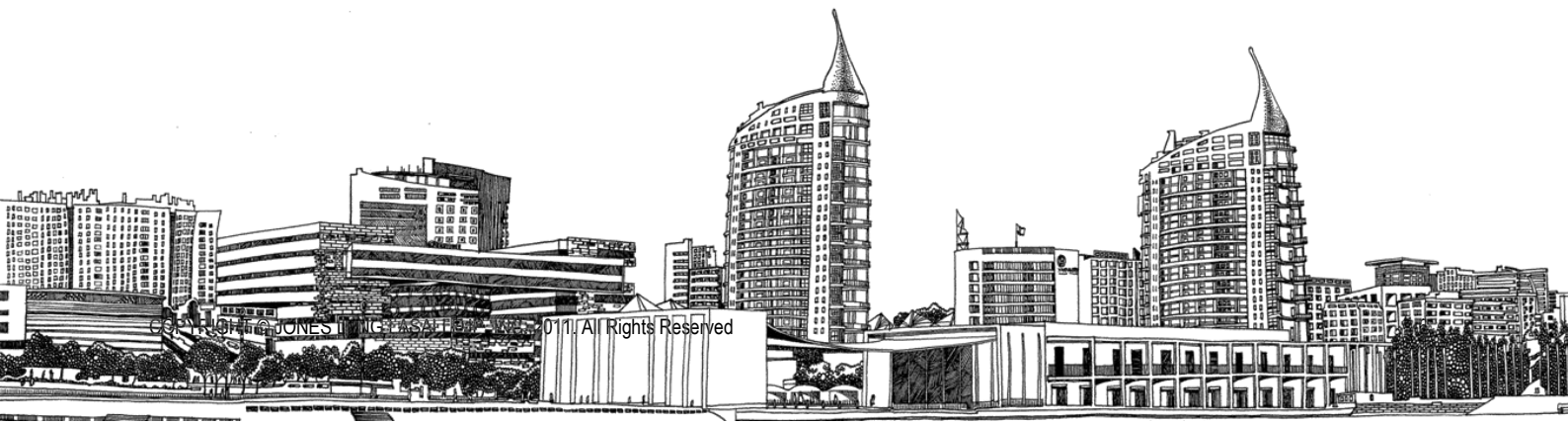
The remainder of this guidance document

The next three sections of this guidance document deal with specific issues in relation to the reporting of absolute and intensity performance measures, in particular:

- Understanding landlord and tenant utility arrangements in multi-let buildings
- Normalisation – accounting for year-on-year changes in portfolios
- Reporting trends – like-for-like analysis and segmental reporting

Real life examples of reporters addressing the challenges outlined above are given – to further encourage more consistent reporting. Further technical detail regarding each of these issues – and more – can be found in the EPRA Best Practices Recommendations on Sustainability Reporting which is available to download from www.epra.com and www.joneslanglasalle.co.uk/sustainability.





3 Understanding landlord and tenant utility arrangements in multi-let buildings

What reporters need to know

- Understanding landlord and tenant utility purchasing arrangements is crucial in determining how to aggregate portfolio-wide absolute and intensity performance measures.
- As a general rule for absolute performance measures, the landlord should report all energy (and associated GHG emissions) or water that they buy or obtain, regardless of who consumes it and where it is consumed.
- Landlords may also choose to itemise and report tenant consumption that is sub-metered from the landlord supply and/or tenants' own supplies (if data is shared).
- For intensity performance measures, landlords need to abide by the overarching principle that numerator and denominator in intensity indicators must correspond.

What is the issue?

Almost every property type – including the main commercial asset classes of office, retail and industrial – have complex landlord and tenant utility purchasing arrangements. This is especially the case for multi-let buildings. Typically, at least one of four (and often more than one) arrangement of utility purchasing and consumption applies, as follows:

1 Landlord-obtained & consumed in common areas

2 Landlord-obtained & consumed in tenants' areas on a shared – unmetered – basis (especially Heating Ventilation and Cooling (HVAC))

3 Landlord-obtained but consumed by each tenant on exclusive – sub-metered – basis (especially electricity)

4 Tenant-obtained from third-party utility company for exclusive tenant use

Such complexity in utility purchasing and consumption at the level of individual buildings can give rise to a series of challenges for companies wishing to report portfolio-wide energy, greenhouse gas emission and water performance – whether represented as an absolute or intensity measure. The importance of developing a detailed understanding of landlord and tenant purchasing and consumption arrangements for individual buildings should not be underestimated since it provides far more meaningful insight into actual performance. As a general rule:

- **Absolute performance measures** should include all energy or water that a landlord buys or obtains (e.g. from onsite renewables), regardless of who consumes it or where it is consumed. This will give the most accurate insight into risk and absolute footprint.
- **Intensity performance measures** may go one step further, however, including data for the whole building including energy or water obtained by the landlord and/or the tenants. The scenario in which consumption data is known for the whole building is referred to by some as the 'holy grail' in real estate performance measurement.

Whilst some way off, it is Jones Lang LaSalle's view that genuine efforts to achieve low carbon real estate must start first with understanding whole building performance. Further insight into reporting part or whole building scenarios is provided in the 'Normalisation' section.

Greenhouse gas emissions – reporting Scopes 1, 2 and 3

Understanding landlord and tenant arrangements serves another very important purpose in regards to the reporting of greenhouse gas (GHG) emissions in line with the GHG Protocol – the most widely used standard for GHG emissions disclosure. The GHG Protocol defines three scopes of emissions as follows:

- **Scope 1**: A reporting organisation's direct GHG emissions. Direct GHG emissions occur from sources that are owned or controlled by the

company, such as burning natural gas in a boiler for heating.

- **Scope 2**: A reporting organisation's emissions associated with the consumption of intermediate forms of energy (electricity, heating/ cooling, or steam). Scope 2 emissions physically occur at the facility where electricity, heating/ cooling, or steam is generated (e.g. it is Scope 1 for the utility company).
- **Scope 3**: A reporting organisation's indirect emissions other than those covered in Scope 2. Scope 3 is an optional reporting category that allows for the reporting of all other indirect emissions upstream and downstream of the reporter's organisational boundary (e.g. emissions arising from travel to an asset by members of the public).

The crux for landlord reporting of GHG emissions in multi-let buildings concerns the existence of sub-metering (or its absence, as is often the case). In circumstances where landlord obtained energy consumption is sub-metered to tenants, there is a strong argument that the landlord can report these as their scope 3 emissions, and inform tenants that these emissions should be their Scope 1 / 2 emissions. In situations where there is no sub-metering, gas obtained by the landlord remains as its Scope 1 emissions and electricity remains as its Scope 2 emissions. Whenever tenants obtain energy directly for a third party themselves this is Scope 3 for the landlord. **Figure 1** on the following page provides a detailed worked example of GHG reporting in multi-let building scenarios which can be scaled up to portfolio-wide reporting.

Figure 1: Worked example – Reporting Scope 1, 2 and 3 emissions in a multi-let building scenario

The diagram to the below represents a fictional multi-let office scenario with three tenants. In this scenario consumption to service the common areas (such as lighting and lifts) as well as HVAC – which is under landlord control and services the whole building – is recharged to tenants (through service charge or turnover rent).

- **Tenant A** purchases its own electricity from the utility supplier on an exclusive basis through a dedicated meter (this should be reported as Scope 2 for the tenants, Scope 3 for the landlord). However, Tenant A also consumes HVAC from the landlord on an unmetered basis, and pays for an assumed share of it through the service charge. The landlord would report the consumption attributed to the HVAC as its Scope 1 or 2 emissions (depending on whether it was gas or electricity); and the tenant would report it as Scope 3.
- **Tenant B** is supplied electricity by the landlord. However, the consumption is on a sub-metered basis and is recharged exclusively to Tenant B per kWh of consumption (this should be reported as Scope 3 for landlord, Scope 2 for tenant). Tenant B also consumes landlord provided HVAC on a shared basis. As with Tenant A, the landlord would report the consumption attributed to the HVAC as its Scope 1 / 2, whilst for the tenant it is Scope 3.
- **Tenant C** consumes electricity supplied by the landlord too, but this consumption is not sub-metered. The consumption cost is recharged on an assumed basis, along with the shared services HVAC. The landlord would report all consumption in this situation as Scope 1 or 2 emissions (depending on whether it was gas or electricity), whilst the tenant would report it as scope 3.

The overriding principle in the scenario above is that a landlord's emissions can only be a tenant's Scope 1 or 2 emissions where there is direct supply or where there is sub-metering in place.

Multi-let building purchasing and consumption scenario

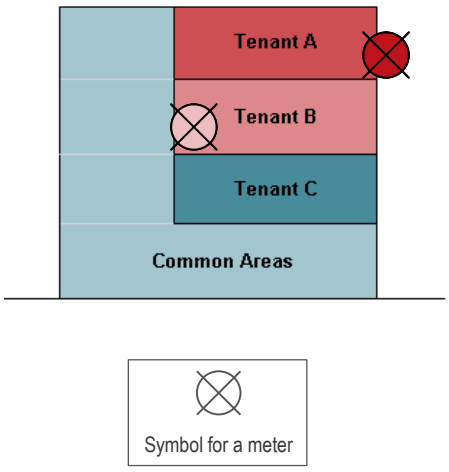


Table 1: Scope 1, 2 and 3 allocations according to scenario

Utility arrangements	GHG Emissions Scope for:	
	Landlord	Tenant
HVAC (landlord provided and not sub-metered)	1 or 2	3
Common areas (landlord provided)	1 or 2	3
Tenant A electricity (direct supply)	3	2
Tenant B electricity (sub-metered)	3	2
Tenant C electricity (no sub-meter)	2	3

Source: Jones Lang LaSalle (2011). The above scenarios and subsequent Scope 1, 2 and 3 allocations are based on an interpretation of the GHG Protocol Appendix F: Corporate Standard for Categorizing Emissions from Leased Assets (2006).

Examples of current practice

British Land

- Scope 1, 2 and 3 emissions are clearly defined according to the parts of the buildings within which they are consumed (e.g. common parts, heating and cooling), and by whom (in this example, only British Land as the landlord).
- The next step in the evolution of reporting for British Land could be to report Scope 3 emissions from tenant-obtained energy in order to provide a picture of whole building performance.

FIG. 4.2 **GREENHOUSE GAS EMISSIONS** GRI: EN16, EN17, EN19, EN29

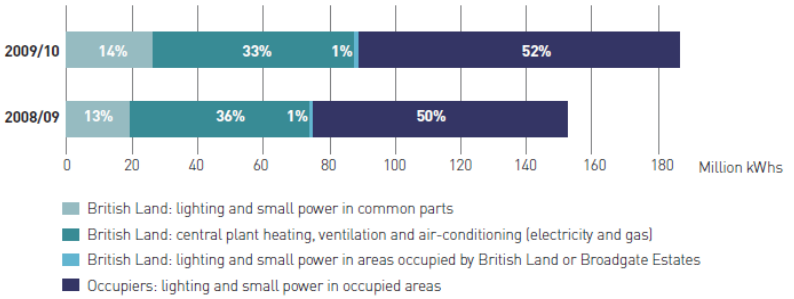
	Gross emissions (tonnes of carbon dioxide equivalent)							
				2009/10				2008/09
	Scope 1	Scope 2	Scope 3	Total	Scope 1	Scope 2	Scope 3	Total
Energy use								
Offices – British Land controlled areas occupied by								
British Land or Broadgate Estates	30	742	NA	772	45	890	NA	935
Offices – British Land controlled common parts	378	14,395	NA	14,773	413	10,650	NA	11,063
Offices – British Land controlled central heating and cooling	NA	NA	25,725	25,725	NA	NA	21,422	21,422
Offices – Occupier controlled occupied demises	NA	NA	53,250	53,250	NA	NA	41,536	41,536
Offices – Non-British Land offices areas occupied by Broadgate Estates	1	27	NA	28	NR	NR	NA	0
Shopping centres – British Land controlled common parts	384	8,244	NA	8,628	535	8,989	NA	9,524
Retail parks – British Land controlled common parts	5	2,942	NA	2,947	28	4,885	NA	4,913
Continental Europe – British Land controlled common parts	NA	6,765	NA	6,765	259	2,649	NA	2,908

Source: British Land Corporate Responsibility Report 2010

British Land

- Read alongside the example above, this analysis is useful because it provides detailed insight into the proportion of energy which is consumed in areas of the building where British Land has operational control and that which is consumed by tenants on a sub-metered basis.
- This analysis also helps in corporate target setting. In this particular instance British Land has the ability to focus its target setting on areas where it has operational control.

FIG. 1.12 **WHO CONTROLS ENERGY USE ACROSS OUR OFFICE PORTFOLIO**



Source: British Land Corporate Responsibility Report 2010

Unibail-Rodamco

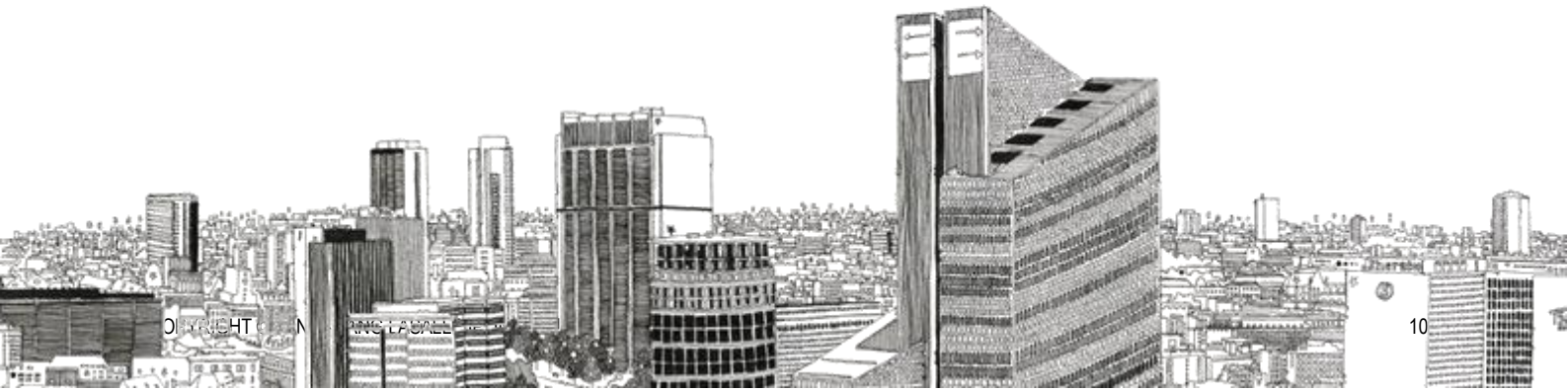
- The data qualifying note at the top of the table clearly states which energy supplies are included within the data reported, namely consumption in common areas (including car park and heating and cooling) as well as heating and cooling provided to tenants.
- Unibail-Rodamco also clearly states that tenant-purchased consumption at shopping centres is not included – another useful signpost for report readers.

KPI: Energy consumption (kWh)

For shopping centres, final energy purchased for use in common areas including car parks and by common equipment (heating & cooling, distribution power, ventilation, vertical transportation, lighting) and energy provided to tenants for heating and/or cooling. Electricity purchased by tenants is not included. For offices and convention & exhibition centres, this KPI refers to final energy purchased.

All assets	Scope	Shopping centres	Austria	Central Europe	France	Netherlands	Nordics	Spain	Scope	Offices	Scope	Convention & Exhibition
2008	67/70	426,441,761	22,772,115	75,766,034	160,764,820	24,145,824	83,830,937	59,162,031	18/18	56,061,173	5/5	81,098,573
2009	72/75	458,453,259	61,278,672	76,965,442	155,667,401	23,216,465	80,616,248	60,709,031	19/19	60,407,137	9/9	165,265,407
2010	74/74	459,677,119	59,863,429	75,491,541	159,455,833	21,824,906	83,260,526	59,780,884	17/17	52,941,093	9/9	175,901,651
Like-for-like		Shopping centres	Austria	Central Europe	France	Netherlands	Nordics	Spain		Offices		Convention & Exhibition
2010/2006		-12%	6%	-12%	-12%	-4%	-7%	-23%		-10%		-9%
2010/2009	67/74	0%	-2%	-2%	0%	-2%	3%	-2%	16/17	-5%	9/9	6%

Source: Unibail-Rodamco Annual and Sustainable Development Report 2010



4 Normalisation – accounting for year-on-year changes in portfolios

What reporters need to know

- Normalisation is an important analytical technique used in environmental performance reporting to account for year-on-year changes in portfolio size and composition.
- Matching numerator and denominator in intensity performance measures is the number one priority when reporting on an intensity basis. Mismatching can lead to misleading analysis.
- Where issues arise with mismatched numerators and denominators reporters have several options including: exclusion of such properties from intensity analysis, adjustments, itemisation to separate building consumption from shared service provision or – the least preference scenario – stating the existence of a mismatch.

What is the issue?

Simple normalisation refers to the division of a numerator (such as kWh of energy consumption or m^3 of water consumption) by a driving variable (or, denominator) such as floor area or numbers of building users e.g. occupants. It is a common analytical technique used in environmental reporting to enable small and large portfolios to be compared with each other, and also to enable portfolios that vary in size and composition over time to be compared. The main challenge regarding normalisation, however, concerns the matching of the numerator (e.g. kWh) with the denominator (e.g. floor area) – thereby taking account of different landlord and tenant metering scenarios described in the previous section.

Sometimes reporters use whatever consumption is known divided by an available denominator, without regard to how the numerator and dominator correspond. Such an approach can undermine meaningful comparison and analysis by report readers. A simple example of this mismatching would be reporting landlord-obtained energy that services just common parts divided by whole building floor area. A better denominator in this example would be common parts area.

The matter is complicated further with the described in the previous section. The best way to address the complexity of varying landlord and tenant arrangements is to select one of the following resolutions:

- Exclude such properties from the aggregation where the reporter does not have energy or water consumption, or GHG emissions data for the whole building (i.e. it is missing or not known).
- Adjust the floor area to cover only the area serviced by known energy or water consumption, or GHG emissions (thereby matching it with the numerator)
- Adjust overall consumption data to take account of unknown data or missing data (thereby using estimations to try to match it with the denominator).
- The least preferred option is to simply acknowledge that the intensity indicator is affected due to the mismatch between numerator and denominator.

The table below provides an overview of typical denominators used – that are reflective of how much of a site is covered by services that use landlord-obtained energy – though note this can vary.

Table 2: Typical denominators for normalisation

Property type	Suggested area denominator	Suggested person denominator
Office	Net lettable area (m^2)	№ workstations in use
Shopping centre	Common parts area (m^2)	№ visits
Industrial	Net lettable area (m^2) if all building energy known	n/a
Retail park	№ car park spaces	n/a

Examples of current practice

Unibail-Rodamco

- Two kinds of water intensity – per visit in shopping centre and per occupant in offices – are reported by Unibail-Rodamco. In each instance it is stated how the denominator has been calculated, though it may be beneficial if more detail on the estimation of occupant numbers could be provided. This highlights the point that comparison between reports cannot be done without caveat as methods vary.

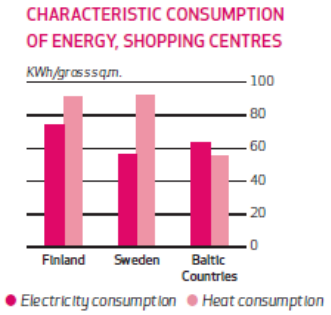
KPI: Water consumption per visit (litre/visit for shopping centres, m³/occupant for offices)
Denominator: Water Consumption KPI. Numerator: for shopping centres, the number of annual visits is obtained by combining data from traffic counting systems and estimates obtained by market research and random counts. For offices, the figure is based on an estimate of the number of occupants.

All assets	Scope	Shopping centres	Austria	Central Europe	France	Netherlands	Nordics	Spain	Scope	Offices
2008	64/70	3.89	4.97	2.62	3.91	1.23	7.99	2.51	16/17	7.35
2009	70/75	3.74	5.47	3.28	3.84	0.79	7.25	2.30	17/18	6.96
2010	72/74	3.54	5.92	3.02	3.63	0.53	7.01	1.99	16/16	6.74
Like-for-like		Shopping centres	Austria	Central Europe	France	Netherlands	Nordics	Spain		Offices
2010/2006		-15%	18%	-33%	-15%	-31%	-5%	-25%		-8%
2010/2009	66/74	-4%	8%	-8%	-4%	1%	-3%	-13%	15/16	-2%

Source: Unibail-Rodamco Annual and Sustainable Development Report 2010

Citycon

- Both energy and water intensity performance measures are clearly labelled with regards to the chosen denominators – notably gross floor area and annual visits.
- It would be useful if more detail on the kWh and litre consumption included in the respective energy and water intensity performance measures and whether this consumption relates to landlord only consumption of energy or water, tenant consumption, or both.



WATER CONSUMPTION, SHOPPING CENTRES

	litres / visitor / year
Finland	2.9
Sweden[1)]	8.9
The Baltic Countries	2.8
Total	**3.9**

Source: Citycon Annual Report 2009

Unibail-Rodamco

- Efforts to use denominators that correspond with the energy consumption in question have been made.

KPI: Energy consumption per square metre (kWh/m²)
Numerator: definition of Energy Consumption KPI. Denominator: square metres of mall and GLA for which common energy is provided. For offices, this refers to the total floor area.

All assets	Scope	Shopping centres	Austria	Central Europe	France	Netherlands	Nordics	Spain	Scope	Offices
2008	66/70	164	158	270	132	179	181	162	17/18	172
2009	72/75	161	224	275	124	173	174	137	18/19	179
2010	73/74	162	219	269	127	185	180	135	16/17	164
Like-for-like		Shopping centres	Austria	Central Europe	France	Netherlands	Nordics	Spain		Offices
2010/2006		-12%	6%	-12%	-13%	-4%	-7%	-23%		-10%
2010/2009	69/74	0%	-2%	-2%	0%	-2%	3%	-2%	15/17	-5%

Source: Unibail-Rodamco Annual and Sustainable Development Report 2010

5 Reporting trends – like-for-like analysis and segmental reporting

What reporters need to know

Like-for-like analysis

- Like-for-like analysis is a useful technique used to remove the impact of changes in portfolio size and composition. Like-for-like analysis is done by aggregating performance for a defined set of assets which have been consistently in operation and not under development during the preceding two reporting periods.
- Changes in vacancy should not be used as an exclusion criterion in like-for-like analysis, but can be used to explain trends in commentary.

Segmental reporting

- Disaggregating overall corporate performance can provide useful insight for report readers – this is more commonly known as segmental reporting. Common forms of segmentation are by location (e.g. country or city) and asset type (e.g. office and shopping centre).

Like-for-like analysis: what is the issue?

Changes in portfolio size and composition can give rise to difficulties in interpreting performance, whether data is presented on an absolute or normalised intensity basis. To get around this challenge, like-for-like analysis is often used to show the trend over time for a clearly defined set of assets which have not changed. Acquisitions, disposals, major refurbishments and new developments can significantly affect performance. A like-for-like analysis show changes in performance due to operational factors rather than changes in portfolio. Although more typically employed for analysing trends in absolute indicators, like-for-like can also be a useful approach to ensure even greater comparability for intensity indicators.

Like-for-like analysis should be conducted for assets which have been consistently in operation, and not under development, during at least two full preceding periods that are reported. For example, the 2010 like-for-like change in consumption could compare performance for the same set of buildings from 2009 to 2010. EPRA provides useful insight into the use of the like-for-like approach in sustainability reporting, notably that reporters should:

- Describe the size, in value, of the total portfolio or investment portfolio on which the like-for-like consumption is based.
- Disclose the basis and assumptions underlying like-for-like information (e.g. exclusion criteria, time period to which the analysis relates).

Changes in vacancy rates are often cited by reporters when describing variations in portfolio performance from one year to the next e.g. where a large letting occurs or where a building becomes void for a long period. However, EPRA's guidance states that buildings with significant changes in vacancy rate should not be excluded from like-for-like analysis.

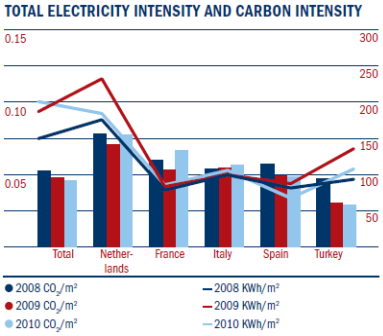
Segmental reporting: what is the issue?

Performance reporting is only as good as the analysis that accompanies it and, critically, the way in which data is disaggregated to provide meaning for report readers. There is a tendency for reporters to 'over' aggregate performance on a portfolio-wide basis or for all countries of operation in the belief that stakeholders are most interested in overall corporate performance and trends. Whilst this can sometimes be true, disaggregating data for individual asset types – such as offices or shopping centres – or locations of operation, such as countries and cities – can reveal much more about how a company is performing and indeed the underlying drivers of performance. This kind of analysis is often referred to as 'segmental reporting' in financial reporting circles. There is growing support for wider adoption of this practice in sustainability reporting.

Examples of current practice

Corio

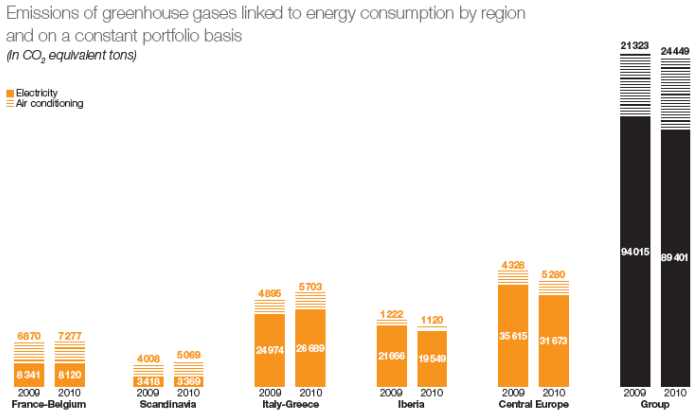
- Corio presents electricity and carbon intensity on the same chart over three years – segmented by country and as an overall total for the whole portfolio.
- It would be interesting for Corio to present its electricity and carbon intensity trend on a like-for-like basis to understand if any of the fluctuation can be explained by portfolio expansion or changes in portfolio composition.



Source: Corio CSR Report 2010

Klepierre

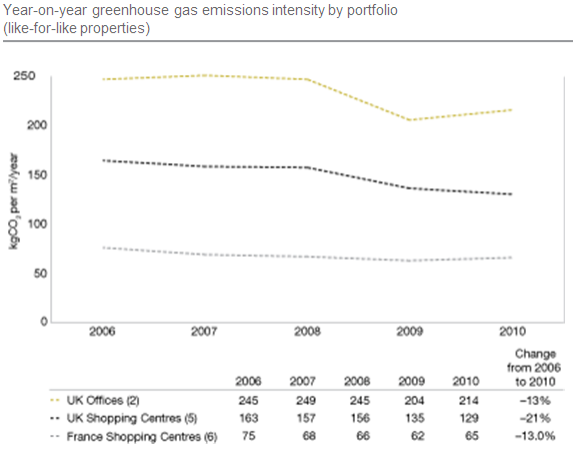
- Klepierre presents its total energy related GHG emissions over two years – segmented by region – alongside its overall group emissions. It also reports these GHG emissions 'on a constant portfolio basis' – essentially like-for-like analysis.
- It would be useful to know the exclusion criteria which determine whether assets are included or excluded from 'constant portfolio' analysis.



Source: Klepierre Sustainable Development Report 2010

Hammerson

- Hammerson presents carbon intensity on a like-for-like basis, in this case over a four year time horizon – due to the fact that its target is a four year commitment. It also clearly states exclusion criteria for reported like-for-like analysis, namely excluding assets where no management control exists (FRI leases); assets which were disposed of in the reporting year, as well as those opened or acquired; and assets which were developed during the like-for-like time period (refurbished).
- Performance is also reported on a segmented basis – by geography and asset type – which provides further insight into reported performance trends.



	2006	2007	2008	2009	2010	Change from 2006 to 2010
UK Offices (2)	245	249	245	204	214	–13%
UK Shopping Centres (5)	163	157	156	135	129	–21%
France Shopping Centres (6)	75	68	66	62	65	–13.0%

Source: Hammerson CR Report 2010

Real value in a changing world

Matthew Tippett
Director
Upstream Sustainability Services
22 Hanover Square
London, W1S 1JA
+44 20 7399 5655
matthew.tippett@eu.jll.com

Sophie Walker
Director
Upstream Sustainability Services
22 Hanover Square
London, W1S 1JA
+44 20 7399 5078
sophie.walker@eu.jll.com

Guidance and illustrated examples of reporting in line with EPRA Sustainability BPRs – September 2011

www.joneslanglasalle.co.uk/sustainability