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About the International Sustainability Alliance

The International Sustainability Alliance (ISA) is a global network of leading corporate occupiers, property investors, developers and owners. We are dedicated to achieving a more sustainable built environment through better measurement and understanding of the sustainable performance of buildings. Real estate owners, occupiers, developers and funders around the world are facing ever increasing demands to address the need for greater sustainability of existing buildings.

Over 40% of carbon emissions come from the built environment but only 1-2% of buildings are renewed each year, so by far the major challenge in reducing our carbon emissions – and the biggest opportunity – is to manage and refurbish existing stock.

ISA is an independent, not for profit membership organisation.
Foreword

ISA: a step-by-step approach

Welcome to the International Sustainability Alliance’s annual report for 2011. As we pause to celebrate ISA’s formal incorporation earlier this year, it is worth reflecting on the journey so far.

ISA has made great progress over the past year, largely thanks to the commitment of the Founding Member companies and the time and effort of their senior staff who have worked with BRE to push forward our common vision of a more sustainable built environment. This has not been an easy task. Last year, in our first preliminary report, we set out our ambition to create an international membership organisation that would be a not-for-profit joint venture between the Founding Members and the BRE Trust. We have accomplished this goal.

ISA is committed to developing a deeper understanding of the environmental performance of commercial buildings in-use through the collection and measurement of fixed and consumption data on the assets, buildings and sites that make up real estate portfolios. Standardisation and the quality of data are absolutely key to ISA.

Our members, arranged across various Sub-Committees have tackled complex problems in order to ensure the reliability of the data and the robustness of the reporting process going forward. At the same time, ISA members have become increasingly aware that the data gathering process requires long term commitment from the highest level. It is not a process addressed overnight; it requires a step-by-step approach in which internal procedures and responsibilities have to be set throughout.

After a long process, overcoming many obstacles, we have achieved a standardised method of measuring, collecting and benchmarking environmental data across different assets and geographic regions. In this report we set out the first tentative results calculated from that initial data collection. Over the years, our benchmarks will improve in quality and robustness as more data is collected from an increasing number, diversity and geographic spread of member organisations.

Active participation within ISA provides a better understanding of the finer points of the data and reporting process. It has also become clear that contributing to the improvement of the sustainable performance of the built environment will become part of our day-to-day business; not only because of emerging legislation and regulation but also due to the changing attitude of society at large, driven by our younger generations.

There are many lessons to learn for all organisations interested in environmental assessment of their property portfolios. The members of ISA are committed to sharing their experiences of sustainability assessment of buildings in-use. We have learnt that it is a long process, even for the most progressive companies, to collate and analyse robust, high quality environmental data on its built assets. It is in this space that ISA addresses a gap in the market by setting a standard to measure the environmental performance of the assets with transparency regarding calculation methodology and by demonstrating its compliance with the best practice standards such as GHG Protocol, GRI CRESS and EPRA.

As we progress towards 2012, we are updating our training offering for members based on these experiences. Our next step is database development, further reporting and communications and the launch of our first research projects. We conclude by thanking every member for their effort and dedication and close with the following quote by Peter. F. Drucker:

“The best way to predict the future is to create it”

We look forward to welcoming you and your organisation as a member.
Foreword
Executive Summary

This is ISA’s first annual benchmark report. ISA is a not-for-profit membership organisation launched in 2010 to gather environmental performance data for commercial buildings around the world.

The opening paragraph of the UNEP report, An Investors’ Perspective on Environmental Metrics for Property, published in May this year states, “It is generally accepted that meaningful metrics are central to the fight against carbon emissions. Without them, property investors and government policy makers can neither understand the current environmental performance of existing and new buildings nor gauge the rate of progress being made to reduce their harmful greenhouse gas emissions and other environmental impacts”.

This benchmark report of ISA is an important step in the direction of addressing the fundamental issue of meaningful metrics. The report shows the power of using data from multiple sources to compile a benchmark report. It demonstrates how ISA is developing rapidly across asset sectors and countries. But it is work in progress. In time our data coverage will include many more countries, a greater range of asset classes and a broader range of Key Performance Indicators (KPIs). We will build a series of benchmark reports over time – firstly to enable ISA member companies to understand the environmental performance of their assets and to create strategies for future improvement, and secondly to provide evidence for policy decisions by governments towards a more sustainable built environment.

ISA members include property owners, investors and occupiers. Our database is growing rapidly as membership increases. As the volume of quality data on individual building classes grows, so does the opportunity for research, analysis and sharing of corporate knowledge in sustainability reporting.

For this report we have focussed on a selection of our member’s property assets in the office and retail sectors across five countries: Portugal, France, Belgium, the Netherlands and Germany. We have selected three key performance indicators (KPIs) that measure the intensity of energy, water and CO₂ emissions by floor area. The values reported here provide an initial basis for members to benchmark their own performance, in the knowledge that these KPIs have been defined by their peers and use data based on a common system of measurement across all ISA members.

Compiling this report has not been without its challenges. Approaches to data collection vary across company and country. It takes years for companies to learn how to collect data and the range of data collected varies widely. ISA members are fully engaged in tackling these issues through sharing experiences and working collaboratively. ISA’s technical Sub-Committees are addressing the key challenges with data collection found across the property sector: quality, verification and definitions.

Although this is our first benchmark publication, it is our second report. ISA is broadening its membership, strengthening its procedures and building a resource for its members and a knowledge base for the industry.

If you would like to participate in ISA’s activities and contribute to future benchmark reports, please contact us on info@internationalsustainabilityalliance.org.

John Pike
Secretary General
3 Secretary General’s Review

As I write this review I take great pride in ISA’s achievements over the last year. I am also excited about the future plans for ISA and what we can achieve in the years to come.

We are a relatively young organisation, only 24 months old, but during this period we have made great advances. Since last year’s report our members have developed and adopted nine Key Performance Indicators (KPI) against which property performance is measured. We have completed a comprehensive data collection and sustainability analysis exercise, the results of which are provided later in this report.

We are currently testing ISA Online – our flagship automated sustainability analysis system, due to be launched in October 2011 and we are shortly to engage one of the major management consultants to help us strengthen our reporting and auditing procedures. We recognise that there are many challenges ahead of us. We believe, however, that the strong collaborative relationship that has been fostered amongst our members will enable us to tackle these challenges in the coming years.

Measurement is the essence of ISA: whether members require data for corporate reporting, environmental benchmarking or carbon trading, the ISA database provides robust reporting. ISA is working with BRE Global and the BRE Trust, the UK-based charity and internationally renowned research partner, to build one of the most comprehensive sustainability performance databases.

This year’s report is a milestone for our organisation. Building on lessons learned over the last year, this report is the first of what we hope will be an annual event in the sustainability arena.

A significant strength of ISA is that we analyse data from a broad range of property market stakeholders including investors in property, owners, developers and occupiers. The retail and office sectors are the best represented this year. As our membership increases we hope to add the logistics and industrial sectors as well as leisure properties to our outputs.

Our current membership accounts for an asset base of over €850 billion across 70 countries worldwide. Since Expo Real last year we have welcomed a number of new Founding Members to ISA including Heineken, Cushman & Wakefield, BNP Paribas Real Estate Investment Services and ECE. We have expanded our membership categories to accommodate the diverse associations that potential members have with real estate: Portfolio Membership provides a conduit through which the clients or members of organisations such as Green Building Councils or property consultancies can access the ISA KPIs on a smaller scale; and General Membership is for those members that own, operate or occupy property and are able to provide performance data to be included in future benchmarks.

So far both Dutch Green Building Council and BOPRO of Belgium have joined as Portfolio Members for Netherlands and Belgium/Luxembourg respectively. A comprehensive description of the membership categories is provided later in this report. A full list of our current membership is available at www.internationalsustainabilityalliance.org

We continue to work hard to build a balanced organisation across all asset classes, property organisations and countries. Since last year, ISA has been strengthened through the creation of Sub-Committees and a formal management structure comprising the Governing Council, Secretariat and a Board of Directors. The online system will facilitate easy access to performance data, creating an historical record of the environmental performance of members’ assets. Once data has been uploaded, it is then accessible for tenancy updates, or to support environmental certification and corporate reporting.

We do not, however, intend to stop here. I have no doubt that we will expand our membership considerably as more companies realise the benefit of being able to measure and compare the performance of their property assets. With the help of Founding Member Standard Chartered Bank, we are also beginning to look at expanding the remit of ISA into Asia. I am very conscious that, as an organisation, we rely heavily on the goodwill, support and hard work of all our members and the behind-the-scenes administration and development support from BRE Global. It is this commitment from its members that has enabled ISA to achieve what it has already achieved and that will be the bedrock of our success in the future. I believe, through the hard work of our members and that of our colleagues at BRE Global, we are now well placed to achieve our goals of creating a membership which enables the effective management of sustainable real estate portfolios and promoting world class sustainable performance in the built environment for the benefit of all.
4 Member Focus

Martyn McCarthy
Head of Sustainability
Aberdeen Asset Management
ISA Board Director and
Governing Council Member

4.1 Sustainable Asset Management

Aberdeen recognises that delivering sustainable properties for clients and tenants and sustainable investment return to investors requires measurement tools and meaningful performance measures. Benchmarking the performance of assets in the built environment is central to Aberdeen’s sustainability commitment – simplistically, to quote William Edwards Deming, “you can’t manage what you can’t measure.”

Aberdeen manages BREEAM, LEED and HQE rated buildings on a global basis but we recognise that these ratings are relevant at a discrete point in time in a building’s development. We also recognise that even if all new buildings were to be rated to these standards from today onwards there would only be a marginal beneficial impact on the environment in the years to come.

To deliver to any building’s full sustainability potential and a more immediate beneficial environmental impact requires active and focused asset management. Like all global asset managers, Aberdeen requires measures enabling objective benchmarking of any given property asset wherever in the world the asset is located as well as a practical and adaptable tool to enable our asset managers to measure and report on sustainable improvement. A practical tool cannot be overly demanding in its requirements for additional data and, as sustainability knowledge grows exponentially, must remain meaningful by responding to and reflecting current sustainability best practice. Too often benchmark measures have been developed for purposes other than asset management. As a consequence they can lack adaptability and do not provide the practical tool required by asset managers to deliver to a building’s full sustainability potential.

The importance of validated and accurate data

There is increasing demand for validated and accurate volumetric data for energy and water use and waste generation. This comes from institutional investors, benchmark providers, researchers, governments and generally to support sustainability in day-to-day asset management.

With increasing diversity of suppliers in the energy, water and waste markets, the demand for validated and accurate data presents the challenge of ensuring data is available, accurate and readily accessible. That challenge is made even greater with the differing systems used by property managers and their sub-contractors, asset managers and their sub-contractors and the investment manager.

Sustainable asset management requires validated and accurate volumetric data which links to the asset’s static data and is readily available to the property and asset manager, through a simple and effective desktop tool. Without such a straightforward interface, information will be collected but never used. Without accuracy and validation the collected data will be of little, if any, value.

Addressing the challenge of available, accurate and accessible data provides an organisation with real value in delivering sustainability programmes. Targets can be set, monitored and reviewed and, most importantly, performance can be objectively reported and, if required, audited.

Aberdeen and ISA

Through the International Sustainability Alliance and its link to the BRE Trust, Aberdeen is able to draw on globally recognised knowledge, research, education and innovation in the built environment. ISA provides an established benchmark tool and database that provides a practical and adaptable tool for asset managers to measure and report on sustainable improvement of any given property asset wherever in the world it is located.

Through the alignment of interest with other International Sustainability Alliance members and the active sharing of knowledge, Aberdeen is able to ensure that it uses a benchmarking tool appropriate for asset managers – one that responds to and reflects current sustainability best practice.
4.2 Sustainability in Emerging Markets

For over 150 years, Standard Chartered has operated in some of the world’s most dynamic markets, earning more than 90 per cent of its income in Asia, Africa and the Middle East. Many of the countries in which we do business are vulnerable to climate change and volatile environmental conditions. We believe that addressing climate change and providing reliable access to energy, food and water is essential for the economic prosperity and political stability of our markets.

The way we run our properties and control business air travel has a significant impact on the environment. We have established long-term, stretching targets to manage carbon emissions stemming from energy use and air travel and to reduce our consumption of water and paper in our operations. These targets have been set through a deep understanding of the environmental issues across our footprint and increasingly we are looking to benchmark operating performance at the local level to ensure that we understand what ‘best in class’ looks like in our markets and to maintain a leadership position in the management of our direct operational impacts.

We believe that, in general, European and US markets are often motivated to improve environmental efficiency through the levers of legislation and reduction in the cost of compliance to carbon reduction commitment schemes. As access to reliable, affordable energy and water scarcity become a reality in many of our markets, we see the drivers for demanding environmentally efficient real estate a little differently.

The Bank has built a number of flagship properties over recent years and these have been constructed to meet the highest standards in green design. However, we see greater opportunity to significantly reduce our direct environmental impact through maximising opportunities to improve existing property through our retro-fit programmes and focusing on operational disciplines, recognising that only a small proportion of the Bank’s portfolio is replaced each year and that green design does not guarantee an environmental efficient building.

The Bank actively contributes to the public policy debate on environmental issues through our membership of the Climate Change working group, Asia Pacific task force and the United Nations Environment Programme Finance Initiative. As members of the Dow Jones Sustainability Index, Carbon Disclosure Leadership and FTSE4Good indices, we recognise that we must continue to deliver energy/emission performance results and maintain a robust environmental data management discipline to ensure accurate, traceable and reliable reporting.

We believe the aims of the International Sustainability Alliance are entirely consistent with our needs for an international standard to assess both absolute environmental impact at the individual building level and its relative impact to the property portfolio in our markets. A key differentiator for us to join ISA was the opportunity to collaborate with fellow members and join in partnership with the BRE Trust to drive our shared agenda to deliver the world’s most comprehensive property database as well as leading research and innovation in the built environment. We are excited to able to support the development of such disciplines within the emerging markets where we see growing interest in the value of environmentally efficient real estate.
5 The Importance of Sustainability in the Built Environment

Introduction

The appetite for ‘sustainable’ or ‘green’ buildings has been rising over the past 5 years. Even before the impacts of the global economic crisis were felt in European commercial property markets, sustainability in buildings was emerging as a decision factor for those involved (C&W, 2010a). Statistics from BRE on the number of buildings registered and certificated to BREEAM standards appear to support this assertion. Of the c. 6,000 buildings registered to date under the BREEAM Offices Scheme, almost 1,900 buildings have been certificated.

It is also significant that the demand for BREEAM In-Use, a UK-focussed product which grades environmental performance of existing buildings has attracted increasing demand from non-UK clients. This has led to the development of BREEAM In-Use International, a version of the scheme applicable to non-domestic buildings anywhere in the world. This version will allow cross-jurisdictional performance management and will be available in multiple languages. The core question set for this is expected to be finalised in late 2011. Take-up of BREEAM In-Use International suggests that the property market anticipates increased demand for a common standard of certification; both as an aid to sales and lettings of commercial property as well as an expected requirement for corporate reporting. It also suggests that property market participants are already looking to consolidate their existing portfolios in anticipation of an impact on value.

The Drivers For Sustainable Real Estate

Recent research by Cushman & Wakefield (C & W, 2010a) showed that sustainability is now recognised as a crucial part of a company’s overall business strategy. Almost 70% of all respondents to the C&W survey regarded sustainability as at least an ‘important’ consideration, with over 40% regarding it as very important or fundamental to their business. Furthermore, in a survey of 500 Senior executives for C & W (2010b), ‘reduction of CO₂ emissions’ and ‘savings in running costs of buildings’ were the two factors with highest increases in importance in the reporting period between 2008 and the date of the survey.

The European property market remains a competitive space for investors and owners while cost reduction is foremost in occupiers’ minds. In recent years, property market participants have had to factor in rising energy prices alongside rent and occupational costs when conducting property cost analysis. Add to this the expectation that other European countries will follow France’s ‘Grenelle 2’ lead (ING, 2011:4) and the calculation of return on (real estate) investment will have to include the cost of achieving acceptable environmental results alongside familiar incentives such as rent-free periods or premiums.

With changing decision-making factors comes the need for knowledge to inform such decisions. Recent research carried out by ING Real Estate (ING, 2011) suggests that there is a link between under-performance of buildings in sustainability metrics for office space across Europe and the double negative of extended marketing periods and decreasing rents. ING believes that the reversionary potential (for rent) in unsustainable (office) buildings will become negative over the coming years and that a divergence in yields will result between those properties that can prove their green credentials and those that can’t. Taking this point-of-view to its logical conclusion, sustainability-related shifts in occupational demand requirements, whether driven by legislation or corporate strategy, will have to be embraced by property owners, investors and managers in the short-term if the long-term value of their property investments is to be maintained. The question in most stakeholders’ minds however is: how to quantify the relative costs and predict the returns on investing in sustainable real estate? At what point does increased capital expenditure on sustainability begin to produce diminishing returns?

How to Prove ‘Green’ Credentials?

The increasing number of benchmarking clubs and certification offers such as LEED, BREEAM In-Use and even country-level schemes such as DGNB and HQE suggest that the property market is responding to the emerging trend for ‘green’ property endorsement. And yet the overlap amongst property market participants across several of the products offered suggests an industry in a state of flux. Commercial property needs to be as liquid as possible to be able to react quickly to emerging market trends. In the prevailing market, property that can advertise its sustainability
The Importance of Sustainability in the Built Environment

credentials or better still its superior credentials could have a marked commercial advantage, if recent predictions and research results by ING (2011) and Chegut, Eicholtz & Kok, (2011) hold true. Even for those participants whose motivation comes from carbon reduction or whose location requires them to limit their use of finite resources, the cost savings and commercial advantages that can result from managing and running buildings as sustainability as possible are myriad. To date, however there has not been a suitable vehicle to allow stakeholders to measure and monitor their resource consumption whilst also gaining an insight as to how their estate performs in comparison to that of their peers.

The International Sustainability Alliance’s business, and that of its members, is to enable members to demonstrate the environmental and thus commercial advantage of their property portfolios whilst making a strong statement of their corporate belief in sustainable practices. ISA members have diverse reasons for joining; they range from corporate carbon abatement strategies to asset management strategies and everything else in between. Two members have provided an insight into their motivations in Section 4 of this report. Like most real estate portfolio operators, ISA members have a keen eye for good asset management and it is their collective belief that participation in ISA allows them to move ahead of the market in terms of cost and carbon management whilst contributing to improving the sustainability of real estate. An illustration of cost savings that could be made is provided in Section 8 of this report.

Conclusion

Increasing environmental legislation across Europe coupled with a difficult property market has led to the emergence of sustainability in real estate becoming a material decision-making factor for property market stakeholders. While neither a benchmarking club membership nor certification can provide value certainty in the property market, such tools are viewed as an ever more common hedge against obsolescence. Through its data-gathering and analysis, ISA wishes to become the largest provider of sustainability intelligence by geographic location and asset class to help members remain ahead of the market. Through membership collaboration, funding research and lobbying, ISA members can become the leaders of change in sustainable real estate.

References

Cushman & Wakefield, (2010a) ‘Sustainability: Is it really influencing investment decisions?’

Cushman & Wakefield, (2010b), ‘Cushman & Wakefield Sustainability Briefing: Business appetite for sustainable property is on the rise’.


6 ISA Key Performance Indicators

6.1 The Importance of a Sustainable Property

‘Sustainable development’ is the central theme in the book “Our common future” which was published in 1987 by the VN-commission Brundtland. They defined sustainable development as a development which meets the needs of the current generation without risking the needs of future generations. When considering real estate, the same principle can be applied in that the building itself ensures the needs for this generation without risking the needs of the future generations.

The need for a sustainable property can be divided into three aspects; the environment (planet), social (people) and economical (profit). All three aspects should be in balance with each other to create a sustainable property for the long-term.

In general, an optimal solution for the built environment is obtained when all three aspects are in balance with each other.

The main objectives of the KPIBR Sub-Committee are:

- to capture data for benchmarking and environmental performance of members’ estates through the use of appropriate KPIs; and
- to publish benchmark reports promoting increasing environmental performance standards.

The benchmarking and KPI reports will focus on the selected KPIs and their definitions to create a transparent starting point. In addition the benchmarking reports provide results on the actual performance of different properties. The KPIs adopted by the KPIBR Sub-Committee as at January 2011 are set out in the following pages.

6.2 Key Performance Indicators (KPIs)

The following are the KPIs adopted by ISA and used as the basis for its benchmarking and reporting. The KPIs have been developed following consultation with external experts and members and are in line with the GRI CRESS and EPRA BPR reporting protocols. These KPIs were adopted in January 2011.
### Nr.  | Key Performance Indicator | GRI CRESS Reference | EPRA* Reference | Metric |
--- | --- | --- | --- | --- |
1 | Total indirect energy consumption | EN4: page 19 | 3.1 Page 10 | kWh/year |
| **Definition:** | This KPI collates consumption of energy within a building or premises, where the energy is generated off-site. Energy consumption is reported in kWh per annum, or extrapolated from a known volume over a specified period. This information is entered by the user and is generally available from utility bills or meter readings. Sources of indirect non-renewable energy could include: electricity, heating and cooling from low carbon technologies, steam, nuclear energy and other forms of imported energy. Sources of indirect renewable energy sources could include: solar, wind, geothermal, hydro and biomass or hydrogen-based intermediate energy. KPI 1 has 2 sub-groups whereby indirect energy consumption is reported as (1a) total indirect energy from electricity and (1b) total indirect energy from imported heating and cooling. |
| **Calculation:** | KPI 1a + KPI 1b |
| **NOTE:** | This indicator excludes direct energy generated from within the boundaries of the company. |
2 | Total direct energy consumption ** | EN3: page 14 | 3.3 Page 12 | kWh/year |
| **Definition:** | KPI 2 collates consumption of energy units of all incoming fuel sources used to generate energy on site. Sources of direct non-renewable fuel purchased could include: coal, natural gas, fuel distilled from crude oil including gasoline, diesel, LPG, CNG, LNG, butane, propane or ethane. Sources of direct fuels for renewable energy onsite generation could include biofuels, ethanol, biomass from offsite (processed or non-processed) and hydrogen. This information is entered by the user. KPI 2 has 2 sub-groups whereby direct fuel consumption is reported as (2a) total energy from all sources except biomass and (2b) total consumption from biomass-fuelled sources. |
3 | Building energy intensity | CRESS2: page 22 | 3.4 Page 14 | kWh/m²/year |
| **Definition:** | This KPI shows the total energy consumption for a building over a specified period. Investors or owners can not only compare the total energy consumption of a building against its peers but also by variations including total energy consumed per full time employee (FTE); total renewable energy produced or consumed; or total non-renewable energy consumed. |
| **Calculation:** | (KPI 1 + KPI 2)/m² |
| **NOTE:** | Different energy sources have different carbon contents so sources should be reported separately where possible. |
4 | On-site renewable energy generation by volume | na | | kWh/year |
| **Definition:** | This KPI reports the direct on-site production from renewable sources, reflecting the GRI EN3 energy balance calculations. Sources of direct renewable energy could include: solar; wind; geothermal; hydro, biomass based intermediate energy; waste based energy, and hydrogen based intermediate energy. |
| **Calculation:** | KPI 1 + KPI 2 |
| **NOTE:** | On-site renewable energy generation sold to the network should not be included. |

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* EPRA Best Practice Recommendations on Sustainability Reporting July 2011
### ISA Key Performance Indicators

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<th>GRI CRESS Reference</th>
<th>EPRA Reference</th>
<th>Metric</th>
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<tbody>
<tr>
<td>5</td>
<td>Total direct and indirect greenhouse gas emissions by weight</td>
<td>EN16: page 46</td>
<td>3.5 &amp; 3.6 Pages 16 &amp; 17</td>
<td>kgCO₂e/year</td>
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</table>

**Definition:**
This KPI calculates the total GHG emissions resulting from all direct and indirect energy consumption including biofuels and waste incineration. Equivalent CO₂ (CO₂ₑ) is a measure used to compare the emissions from various greenhouse gases based upon their global warming potential using effect of MTCO₂ as base unit. **Examples of such greenhouse gases are methane, fluorocarbon and nitrous oxide.**

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<th>EPRA Reference</th>
<th>Metric</th>
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<tr>
<td>6</td>
<td>Total direct and indirect greenhouse gas intensity from building energy</td>
<td>CRESS6: page 52</td>
<td>3.7 Page 18</td>
<td>kgCO₂e/m²/yr</td>
</tr>
</tbody>
</table>

**Definition:**
This KPI reports on annual GHG production intensity in buildings of similar use per their relevant area. It can also provide an indicator of building efficiency and performance in that any building reporting above the average value of kg CO₂e/m²/yr should be able to improve performance to at least the level of better performing comparable buildings. In the long term it should be possible to provide this KPI on a more granular country/climatic zone basis.

**Calculation:** (KPI 5)/m²

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<th>EPRA Reference</th>
<th>Metric</th>
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<tr>
<td>7</td>
<td>Total water withdrawal by source</td>
<td>EN8: page 30</td>
<td>3.8 Page 20</td>
<td>Cubic metres (m³)/year</td>
</tr>
</tbody>
</table>

**Definition:**
KPI 7 reports the total volume of water withdrawn (water consumed within the boundaries of the site, building or asset) in cubic metres per year (m³/year) by the following sources: Purchased potable (drinking) water, ground, rain and surface water and water from other sources. This information is entered by the user and generally available from utility bills or meter readings.

KPI 7 reports water consumption over 7 sub-categories: (7a) Groundwater; (7b) Rainwater; (7c) Grey Water; (7d) Treated (industrial process) waste water; (7e) Surface water; (7f) Other water sources; and (7g) Total water use at site.

**Calculation:** KPI 7a + KPI 7b + KPI 7c + KPI 7d + KPI 7e + KPI 7f = KPI 7g

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<th>EPRA Reference</th>
<th>Metric</th>
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<tbody>
<tr>
<td>8</td>
<td>Building water intensity</td>
<td>CRESS5: page 37</td>
<td>3.9 Page 22</td>
<td>Cubic metres/m²/year</td>
</tr>
</tbody>
</table>

**Definition:**
KPI 8 reports the total water consumption per annum (m³/yr) against the total floor area (m²) for the reporting organisation’s operations including assets occupied and assets owned, where required. This KPI allows members to compare water intensity between buildings of similar use per their relative area. It can also provide an indicator of water efficiency in that any building reporting above the average value of water consumption should be able to improve performance to at least the level of better performing comparable buildings.

**Calculation:** (KPI 7)/m²

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<th>EPRA Reference</th>
<th>Metric</th>
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<tbody>
<tr>
<td>9</td>
<td>Total weight of waste by type and disposal method</td>
<td>EN22: page 62</td>
<td>3.10/3.11 Page 23/24</td>
<td>kg/yr</td>
</tr>
</tbody>
</table>

**Definition:**
KPI 9 reports the weight of waste in tonnes broken down by type (hazardous or non-hazardous) and disposal method (the method by which waste is treated or disposed) on an annual basis. This information is entered by the user.

KPI 9 reports weight of waste over 6 sub-categories: (9a) Waste to landfill; (9b) Waste to Recycling; (9c) Waste to incineration with energy recovery; (9d) Waste to incineration without energy recovery; (9e) Waste to composting; (9f) Waste to anaerobic digestion.

**Calculation:** KPI 9a + KPI 9b + KPI 9c + KPI 9d + KPI 9e + KPI 9f

*** Based on the definition of the OECD EU- Organisation for Economic Co-operation and Development. See also: http://stats.oecd.org/glossary/about.asp
7 ISA Property Profile and Benchmarks

7.1 Introduction

During the course of the data collection process, the ISA database received and processed over 7,000 records involving property types spanning from retail to office to parking. Figure 7.1 shows the distribution of properties by country.

While a lot of data was received from ISA members with European portfolios, Standard Chartered provided a considerable amount of information on office and high street retail properties located across South East Asia, Sub-Saharan Africa and the Middle East. We expect to build on this core data set in the Far East next year.

7.2 ISA Data Quality Control

ISA’s KPI, Benchmarking and Reporting and Verification Sub-Committees considered at length the process for analysing the data records and recommended that data from a minimum of four organisations was required to construct a benchmark for a given geographical area. Within each area, a minimum number of quality records would then be required to generate an average for a particular occupancy class with a specified confidence level and acceptable margin of error.

In the analyses of the average values of the datasets a confidence level of 80% was used to estimate a confidence interval within which, based on the distribution of the data provided, the true average is likely to lie. Of the 7,000 records from 60 countries for which data was reported by ISA members this year, the requirement for a minimum of four organisations reporting in the same countries meant that the analysis for 2010 was limited to office and retail buildings in five European countries. The margin of error for the calculations, given the populations of data retained for the analyses, was up to around 12%.

7.3 ISA Database Capabilities

The ISA database has been set up to cater for 13 building categories with further granularity such as air-conditioned/non-air-conditioned for offices; distribution, logistics or factories for industrial; or high street retail or shopping centre units for retail. There is insufficient data in the database this year to report on all categories and in some cases a low level of granularity has been achieved. However, this year’s results have been reported at the highest level of granularity allowed by the constraints of the Benchmarking Rules and what has been diminished in terms of granularity has been more than compensated in terms of volume of data and robustness associated with a larger sample size.

The ISA database has the capacity to capture resource consumption or carbon emissions on the basis of occupation and ownership through the generation of a unique identifier (UID) per building. This UID allows for the proper apportionment of water, energy and carbon intensities on the basis of the portion under landlords’ responsibility and that of the tenants. Where large investors are both owners of buildings and occupiers of retail units or office suites within those owned buildings, such a split can be a useful aid in the reporting of Scope 1, 2 and 3 emissions at corporate level. By extension, this unique output of the ISA database can also provide annual inputs for a corporate level carbon emissions trading scheme.
7.4 ISA Property Analysis

Performance of properties in the ISA database addresses energy, associated greenhouse gas emissions, water consumption and waste and is measured by nine Key Performance Indicators (KPIs). Benchmarks are generated from an average value per property type, taking account of the benchmarking rules and allowing for vacant space. As with property-level granularity, each of the ISA KPIs comprise several sub-indicators which detail different types of energy use, use of renewable energy, waste treatment or water extraction detailed in Section 6 of this report.

The results reported here are based on the three KPIs addressing intensity of consumption and are derived from cleansed data following the benchmarking rules. To illustrate the nature of benchmark development, a sample of data for 2010 is analysed below for Offices and Shopping Centres.
Offices:

A sample of data for 2010 from 228 office buildings (averaging around 6,000 m² GIA per office) was reviewed from four ISA member companies in France, Germany, Belgium and the Netherlands.

205 were retained for analysis of energy consumption (KPI3). These generated an average value for Energy intensity of 288 kWh/m²/yr with an 80% confidence interval of 20 kWh/m²/yr.

The same 205 buildings were retained for analysis of CO₂ emission intensity (KPI6). These data generated an average value of 36 kg CO₂e/m²/yr for total direct and indirect GHG energy from buildings with an 80% confidence interval of 3.2 CO₂e/m²/yr.

153 buildings were retained for analysis of water consumption intensity (KPI8). These generated an average value of 0.34 m³/m²/yr with an 80% confidence interval of 0.025 m³/m²/yr.
Retail: Shopping Centres:
A sample of data for 2010 from 153 retail shopping centres (ranging up to nearly 200,000 m²) was reviewed from three ISA members in France, Netherlands, Belgium and Portugal.

123 were retained for analysis of energy consumption (KPI3). These generated an average value for Energy intensity of 168 kWh/m²/yr with an 80% confidence interval of 8.4 kWh/m²/yr.

The same 123 were retained for analysis of CO₂ emission intensity (KPI6). These data generated an average value of 47 kg CO₂e/m²/yr for total direct and indirect GHG energy from buildings with an 80% confidence interval of 9 CO₂e/m²/yr.

117 were retained for analysis of water consumption intensity (KPI8). These generated an average value of 0.18 m³/m²/yr with an 80% confidence interval of 0.03 m³/m²/yr.
8 The Financial Influence of the ISA Benchmark

By Laura Kox, MSc.
International Business Student,
Maastricht University, the Netherlands

One of the primary objectives of ISA is to capture data for benchmarking and environmental performance of members’ estates through the use of appropriate KPIs. By collecting data from ISA members based on these KPIs, ISA will be able to provide benchmark reports to members, the aim of which are to improve environmental performance standards in existing buildings.

The ISA Benchmarks allow ISA members to assess the environmental impact of their properties, relative to members in the same sector. Such comparison not only illustrates how much their environmental footprint could be lessened, but also indicates the monetary savings that can be achieved, when looking at energy usage levels of similar buildings.

In the tables below, the average energy intensity (KPI3) from the ISA database is provided for a sample of countries for two different occupancy types. This is compared to the benchmark in energy of a typical building of that occupancy class, to demonstrate the possible savings in monetary terms. For office buildings, an average energy intensity value of 288 kWh/m² was calculated for the corresponding countries. For retail buildings, an average energy intensity value of 168 kWh/m² was calculated for the corresponding countries.

### Office
Note: Average of 288 kWh/m²/yr used as benchmark corresponding countries

<table>
<thead>
<tr>
<th>Company X Actual Use kWh/m²/yr</th>
<th>Company X GIA (m²)</th>
<th>Country</th>
<th>€/kWh</th>
<th>£/kWh</th>
<th>Possible Saving €/year</th>
<th>Possible Saving £/year</th>
</tr>
</thead>
<tbody>
<tr>
<td>395</td>
<td>19,336</td>
<td>France</td>
<td>0.0721</td>
<td>0.0628</td>
<td>149,171.44</td>
<td>129,853.74</td>
</tr>
<tr>
<td>355</td>
<td>10,512</td>
<td>Belgium</td>
<td>0.1141</td>
<td>0.0993</td>
<td>80,361.09</td>
<td>69,954.33</td>
</tr>
<tr>
<td>375</td>
<td>617</td>
<td>NL</td>
<td>0.1120</td>
<td>0.0975</td>
<td>6,012.05</td>
<td>5,233.49</td>
</tr>
<tr>
<td>335</td>
<td>6,224</td>
<td>Germany</td>
<td>0.1288</td>
<td>0.1121</td>
<td>37,677.61</td>
<td>32,798.36</td>
</tr>
</tbody>
</table>

### Retail
Note: Average of 168 kWh/m²/yr used as benchmark corresponding countries

<table>
<thead>
<tr>
<th>Company X Actual Use kWh/m²/yr</th>
<th>Company X GIA (m²)</th>
<th>Country</th>
<th>€/kWh</th>
<th>£/kWh</th>
<th>Possible Saving €/year</th>
<th>Possible Saving £/year</th>
</tr>
</thead>
<tbody>
<tr>
<td>220</td>
<td>2,885</td>
<td>France</td>
<td>0.0721</td>
<td>0.0628</td>
<td>10,816.44</td>
<td>9,415.71</td>
</tr>
<tr>
<td>252</td>
<td>2,161</td>
<td>Belgium</td>
<td>0.1141</td>
<td>0.0993</td>
<td>20,711.89</td>
<td>18,029.70</td>
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<tr>
<td>211</td>
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<td>NL</td>
<td>0.1120</td>
<td>0.0975</td>
<td>5,658.80</td>
<td>4,925.99</td>
</tr>
<tr>
<td>232</td>
<td>1,896</td>
<td>Portugal</td>
<td>0.1001</td>
<td>0.0871</td>
<td>12,146.53</td>
<td>10,573.56</td>
</tr>
</tbody>
</table>

Exchange rate 28-09-2011 (www.oanda.com):
1 € → £ 0.8705
9 ISA Business Structure

9.1 History

In 2009, an influential group of major organisations identified the BRE Trust, the renowned built environment research and education charity, as their preferred development partner to form the International Sustainability Alliance (ISA). Over the past two years, ISA members have collaborated with BRE Global, working on behalf of the BRE Trust, to develop software based on the BREEAM In-Use system and IT infrastructure, to enable the collection and analysis of resource consumption data and to deliver KPIs which facilitate peer comparison.

ISA was incorporated in 2011 as a not-for-profit company jointly owned by the BRE Trust and the Founding Members, operating as a membership organisation.

ISA is a global network of leading corporate occupiers, property investors, developers and owners of existing building stock who wish to facilitate research into sustainability in the built environment to drive increasing environmental performance standards. Using research and data analysis, ISA aims to influence policy makers towards better understanding of issues that affect the built environment and to help members develop a common understanding of how buildings perform, what measures can be taken to improve them and what this means in terms of value and return on investment.

9.2 Key Activities

ISA captures and analyses existing buildings’ performance data thereby providing a forum where members – both owners and occupiers – can compare assets on a like-for-like basis and share information and intelligence on the environmental performance of property. The data is held independently and securely on a database managed by BRE Global on behalf of the BRE Trust. ISA’s main objectives and activities are:

- to support members’ asset management decisions and meet regulatory reporting requirements;
- to facilitate improved sustainability performance of members’ estates through the use of appropriate KPIs and recommendations for improvement; and;
- to provide a platform for access to certification standards that can verify the environmental performance of buildings in use.

9.3 Outputs and Reports

ISA members have access to two levels of report:

- Key Performance Indicators detail the sustainability performance of members’ property portfolios against a background of nine KPIs including water consumption, energy consumption and waste;
- Annual Benchmarking reports allow members to track the sustainability performance of their portfolios or individual buildings against those of other members.

A key benefit for ISA members is that the data they collect and upload into the ISA database can be verified and made available for certification purposes. At present, ISA provides a straightforward route to BREEAM In-Use assessment and Certification for its members. ISA members have recently provided input to the roll-out of BREEAM In-Use International, which will permit comparative certification across national boundaries, suitable for portfolios of properties. Depending on demand, ISA will ensure that the database can communicate with other international certification schemes in due course.

ISA is also developing a research agenda to draw upon the data provided by its members to provide new insights into the performance and value proposition of sustainable buildings. In the medium term, ISA expects that its research programme will add significantly to the body of knowledge on the environmental performance of commercial buildings in-use. Our initial thoughts on how the ISA data will be used for research are set out in this report below.
ISA members are typically:

- interested in a sustainable built environment;
- pro-active in their response to environmental legislation;
- knowledgeable property practitioners and advisors who wish to join with their peers to shape current thinking on environmental legislation for the built environment;
- keen to improve the environmental performance of existing real estate assets;
- conscientious about cost management and wish to capitalise on opportunities to improve take-up in their properties, and;
- interested to participate in leading research to ensure they maintain their position at the cutting edge of the property industry.

9.4 Business Structure

ISA is run by a Governing Council of the Founding Members, who are responsible for setting the strategic direction and for overseeing the work of the Sub-Committees. For statutory purposes, ownership of the membership organisation rests with a not-for-profit company registered in the UK and limited by guarantee, called International Sustainability Alliance Ltd (ISA Ltd). Of the four directors of ISA Ltd, two are nominated by the BRE Trust and two by the Governing Council representing the Founding Members. The current structure of ISA is illustrated below.

Supporting the Governing Council are a number of Sub-Committees focused on the key areas of importance to members. Their work is discussed in the following pages.

Figure 9.1 ISA Organisation
9.5 ISA Sub-Committees

KPI and Benchmarking/Reporting
Chair: Hans Copier, ING REIM

The KPI and Benchmarking/Reporting Sub-Committee is responsible for the selection and definition of environmental performance indicators which provide most value to ISA members. For the first set of indicators, which are effective from January 2011, the Sub-Committee has limited the scope to those environmental indicators commonly used by the sector and which score well on pre-defined criteria including "Measurable", "Reportable" and "Verifiable". The indicators include the reporting of absolute and intensity indicators to facilitate best practice and recommendations. The nine indicators currently used by ISA are compliant with widely accepted standards such as the Global Reporting Initiative (GRI) CRESS and European Public Real Estate Association (EPRA) BPR. ISA's reports have been developed to facilitate members' monitoring of sustainability performance in their property portfolios. Taking the defined nine KPIs as a basic principle, the KPIBR Sub-Committee is also setting out the key categories for future benchmarking, such as geographic, building type and building characteristics. The assignment focuses on establishing the right benchmarking rules to safeguard the statistical relevance of the results.

The KPIBR Sub-Committee has collaborated with the Verification and Certification Sub-Committee to ensure we are reflecting national and international standards and requirements. The Sub-Committee is committed to revisiting the KPIs on a regular basis to ensure that they remain appropriate to our members' requirements, including certification, asset management decisions and regulatory reporting obligations.

Membership and Marketing Membership
Chair: Rikkert Leeman, Befimmo

The objective of the Membership Sub-Committee is to drive the growth of new members. The Membership Sub-Committee aims to support new and existing members through the development of ISA member services such as regular newsletters and publications; the creation of a suite of documents supporting sustainability in property both in collaboration with BRE Global and based on ISA funded research; and by facilitating new member events in collaboration with existing members.

Other member services on the agenda for the coming year include:

- developing the ISA website for members and others supporting sustainability in property;
- facilitating internal events allowing members to network, share ideas and develop ways to collectively address sustainability in property;
- facilitating external events such as conferences or training workshops, allowing ISA members to disseminate experiences and best practice with others;
- developing membership in a targeted fashion ensuring a representative mix of members across all property sectors and in new markets (with initial emphasis on the Asia Pacific region);
- reviewing the merits of attracting public sector members, and;
- sustaining membership through quality support and assistance.

Membership and Marketing Marketing
Acting Chair: Simon Guy, BRE

ISA attends numerous conferences and events across Europe in its own right and through the presence of its members every year. The marketing Sub-Committee is tasked with creating and implementing a strategy which will raise ISA's profile as well as ensuring the results of ISA research and reports reaches as wide an audience as possible.

Verification and Certification
Chair: Nathalie Charles, EDF

The Sub-Committee is focused on two main objectives:

- to ensure that the data entered in the ISA database and used for the production benchmarking report is of the highest quality, and that the techniques used to process the data are robust and reliable;
- to promote international certification of the environmental performance of commercial buildings, allowing a fair comparison across borders but also providing consistent international tools for members who own multinational portfolios.

Quality of the data is absolutely central to ISA. Using the KPI definitions and data sources set by the KPI and Benchmarking Sub-Committee, the V&C Sub-Committee defines our quality assurance (QA) procedures, the basic rules and the minimum requirements for data checking throughout the process: from data gathering to data upload in the database and KPI calculation. Over the coming months, the V&C Sub-Committee will be working with external management consultants to provide a third party audit of the ISA processes, consistent with the requirements of the Founding Members.
Training and workshops to facilitate improved data input are developed by the Sub-Committee in collaboration with BRE Global. The effectiveness and the quality of the training and of the guiding documents delivered to the persons in charge of data gathering and upload are also tested as part of a continuous improvement plan.

**Business Planning and Business Systems**  
Chair: Ruth Standring, Standard Chartered Bank

The Business Planning Sub-Committee helps set the strategic direction for ISA and establishes the annual business plan. It reviews the environment that ISA operates in on a regular basis and seeks to uncover ways in which ISA can develop its operations to best serve the needs of members. The committee oversees the specification of the IT systems development.

**Research and Education**  
Chair: Etienne Dupuy, BNP Paribas REIS

The Research and Education Sub-Committee seeks to create value from the ISA database by stimulating research based on performance indicators and data. It will develop links with some of the leading universities and research bodies across Europe.
10 Research and Education

The ISA database contains valuable environmental information for all sorts of buildings in many different countries. As ISA grows year by year, the database will be populated with information on ever more buildings in even more countries.

Key performance data will emerge which ISA will use for research purposes, determining relationships to financial factors (such as rents and investment values) and technical factors (such as certification levels and building shapes). Many other relationships are also of interest, like the influence of footfall in shopping centres on KPIs and the influence of climate zones on energy usage in office buildings. These are some of the issues that will be researched using the wealth of data from the database.

That will be the situation in the years to come. At this point in time, we have a snapshot of the performance of properties in the database and a first indicator on a chosen set of environmental key performance indicators.

Therefore, in the first few years (when no time series of data are available) ISA research will focus on sustainability best practice by undertaking case studies on properties from ISA members’ portfolios. Of course members will have to agree to participate and also decide what can be done with the results of such case studies.

Organisations join ISA because they want to create added value around the issue of sustainability in their property portfolios and monitor their environmental performance in doing so. Another field of research, therefore, is the process of benchmarking itself. How do members achieve environmental improvements for their property portfolios using the ISA benchmark? Comparing with other industries use of sustainability benchmarking will be of great help to the members of ISA. Another important field of research is how the changing regulatory context and difference between countries in regulation affects the environmental performance of the properties in the database.

Once the research programme using the ISA database is underway, many more ideas for research will emerge. ISA will partner with other research bodies, universities, independent institutes or other organisations that meet ISA research standards. The resulting research will be a guide for ISA participants to improve the environmental performance of their property portfolios and with that the operating expenses of buildings in those portfolios. Using this research, ISA will also contribute to the real estate market as a whole, helping the industry work towards a more sustainable future.

10.1 Proposed research for 2012

Starting with the data collected in 2011, it has been decided to conduct initial case studies based on a sample of buildings from the ISA portfolio. ISA will choose a set of properties from the database, based on expected refurbishment dates, which will be put into either a control group or a monitoring group. The properties in each group will be as evenly matched as possible to allow like-for-like comparison. With the collaboration of those members, the ISA Research team will monitor any changes in KPIs over an initial period of three years. It is hoped that the results will provide ISA with a number of insights over the three year period:

- an indication as to whether property management best practices or technical improvements lead to better performance;
- an indication of the optimum cost to achieve improvements through either method, and;
- following on from recent research produced by ING Real Estate, Maastricht University et al, it is hoped that a positive link between lower energy buildings and improved rents, capital values and/or marketing periods will emerge.
The Verification and Certification Sub-Committee tasks are focused on two main objectives:

- **Verification** – Ensure that the data entered in the ISA Database and used for the production of this report are reliable, and;
- **Certification** – Be aware of any initiatives and promote true international certification of environmental performances of commercial buildings, to allow a fair and transparent comparison across borders but also to supply consistent international tools for members who own multinational portfolios.

### Verification

Quality of the data and of the KPIs is absolutely central to ISA. Thus, based on the KPI definitions and data sources set by the KPI and Benchmarking Sub-Committee, the V&C Sub-Committee defined Quality Assurance procedures, the basic rules and the minimum requirements for data checking all along the process, from data gathering to data upload in the database and KPI calculation. Based on these procedures, the Sub-Committee organised, with the support of BRE, quality checks based both on statistical tests, but also on random audits of some properties’ data. The effectiveness and the quality of the training and of the guiding documents delivered to the data handlers are also tested as part of a continuous improvement plan.

In order to meet the highest quality standards, the Sub-Committee decided to seek support from independent quality auditors and is currently launching a tendering process. The intention is to work with an independent auditor in the coming months to develop a clear and agreed auditing protocol for ISA that will meet members requirements and expectations and enable them to rely on ISA data for their CSR reporting, but also to meet ISA’s own aspirations around data quality, all within the financial and time constraints associated with ISA and the regular benchmark reporting cycle.

### Certification

Environmental performance is now an integral part of the annual reporting of listed companies. Most of the members of ISA fall into this category and own and manage very large international buildings estates. They need a transparent international certification scheme which could help this reporting and offer them a consistent tool to allow the rating of their portfolio and drafting improvement action plans at group level.

With two thirds of BREEAM In-Use certified properties currently outside of the UK, BREEAM In-Use seems today the certification scheme closest to achieving this target. Thus ISA participates in an international steering committee channelling feedback to BRE on BREEAM In-Use, for commercial buildings, in order to accelerate the international uptake of BREEAM In-Use. Nevertheless, as ISA is a truly international scheme, it is open to other international rating schemes, and where such interest exists, will make sure that the ISA Database will be able to communicate the relevant data required by such schemes.
One important task that we are currently engaged in through the V&C Sub-Committee and which we aim to achieve in early 2012 is the development of a sound reporting and auditing protocol. ISA is currently developing a brief for third party scrutiny of the ISA data processing and reporting protocols which will help ISA to shape future data gathering and analysis.

Third party auditing will be aligned with in-house audit processes already carried out by ISA members to ensure an efficient and seamless process of verification. As an extension of that process, ISA will develop training workshops to help our members maximise their data in our database and to ensure the robustness of KPIs and the Benchmark.

Secondly, following the establishment of protocols for data gathering and analysis, ISA plans to build upon the exposure of some of its members to the wider European and Asian markets. ISA also wishes to expand membership to attract members with assets within the industrial, warehouse and logistics sectors.

Going forward, ISA also plans to develop appropriate KPIs for property based around large cities such as Hong Kong, Singapore, Mumbai and Kuala Lumpur to reflect the needs of building managers, occupiers and owners in those markets.
Appendix – Current Members

ISA membership at October 2011

- Aberdeen Asset Management
- APG
- Astrance
- baumag generalbau ag
- Befimmo
- BNP Paribas REIS
- Bouwfonds REIM
- Bopro
- C&A
- Cofra
- Cório
- CSTB
- Cushman & Wakefield
- EDF Group
- Egis Conseil Batiment
- EURO Institute of Real Estate Management
- FGH Bank
- Fortrus
- Greenaffair
- Grontmij
- Heineken
- ICSC
- ING REIM
- PGGM
- Probam
- Redevco
- Schofield & Partners
- SIG
- Sonae Sierra
- Standard Chartered
- Unibail-Rodamco