

ANNUAL REPORT 2013-2014

moving industry

Report information

This report has been prepared by the Better Buildings Partnership (Partnership, or BBP) for Financial Year 2013-2014 (FY14).

Performance data is for the period 1 July 2013 - 30 June 2014.

Non-performance attribute data (such as nla) is current as of 1 July 2014 and represents the full financial year.

The material presented in this publication is made available by the Better Buildings Partnership as an information guide only.

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From the chairs

We are pleased to present this annual report of the Better Buildings Partnership. It documents spectacular achievements in setting new standards and embedding these in industry practice. It also details how this group of globally leading property owners and managers has - together - set targets, delivered successes and displayed these to the community, all with the intent of leading Sydney in its transition to a sustainable city. We are proud our benchmarking work was awarded the Energy Efficiency Council's Best Energy Saving Program Award in November 2013 for effectively demonstrating the difference major landlords can have on a broad scale.

At the end of our third year the Partnership has impacted our industry and begun broad market transformations that will scale sustainability far beyond the portfolios of our members. Over 10,000 industry professionals have engaged with our work and our members actively embed the tools they co-create in their operations and those of their supply chain.

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Our mission is to move industry forward, together.

We hope you can be part of it.

Emlyn Keane Co-Chair (2013-)

Head of Property Management and Sustainable Performance AMP Capital - Office and Industrial Property

Paul Edwards Co-Chair (2013-)

Group General Manager, Sustainability Mirvac Group

Acknowledgments

The Better Buildings Partnership (BBP) would like to acknowledge the professional expertise and insights of all its partners and contributors and thank its chairs for their commitment to leadership excellence.

In particular, we wish to welcome new Associate Member Savills and acknowledge and thank the participation of departing member Colonial First State Global Asset Management, following the transfer of the Commonwealth Property Office Fund (CPA) to be managed by DEXUS Property Group.



About the Partnership

The Better Buildings Partnership is a leading collaboration of property owners, managers and key influencers that plays a key role in improving the performance and sustainability of existing buildings in the City of Sydney area and across Australia.

The Partnership affects broad market transformation on intractable issues otherwise difficult to champion by individual companies acting in isolation. Our work to date has seen significant progress on issues as diverse as best practice leasing and operational waste to green infrastructure and the waste from tenancy fitout works.

By coming together to progress common approaches to shared barriers, we increase asset performance and amenity, improving the value and sustainability for both tenants and investors, as well as our communities and the environment.

Our Purpose







benchmarking progress



engaging industry and government



Background

The Better Buildings Partnership was launched by the Lord Mayor of Sydney, Clover Moore, on 30 June 2011 with 14 founding members comprising leading institutional owners. Together these members own more than 50 per cent of the commercial office floorspace in the Sydney city centre and significant floorspace along the harbour foreshore, southern education precinct and remainder of the local government area.

These founding members have since been joined by other building owners, organisations engaged in property management, government departments, and key policy advocates.



Sydney 2030

The Better Buildings Partnership is a key initiative of Sustainable Sydney 2030.

Sustainable Sydney 2030 is a vision and plan for the development of a green, global, and connected city. Formulated after extensive community consultation, the plan sets out to make Sydney a leading environmental performer and, among other things, to reduce greenhouse gas emissions by 70 per cent by 2030 (from 2006 baseline).

50 per cent of the City of Sydney's greenhouse gas emissions come from its commercial buildings and their occupants. These buildings are also responsible for significant water consumption and waste generation. Landlords and building managers play an important role in improving the energy, water and waste efficiency of Sydney's existing buildings.

In the Sydney city centre, over half of commercial office floor space is owned and managed by a handful of institutional owners. Many of these owners are recognised as leading performers on global sustainability indicators such as the Carbon Disclosure Project, Dow Jones Sustainability Index and Global Real Estate Sustainability Benchmark. These companies have committed to develop collaborative solutions and initiatives that will help to overcome the challenges faced when improving building performance.

How we work

Objectives

- Work collaboratively to improve the sustainability of Sydney's commercial and public sector buildings and achieve the Sydney 2030 goals;
- Improve the energy, water and waste efficiency of buildings within the City's local government area;
- » **Facilitate** the rollout of, and connection to green infrastructure, such as the proposed trigeneration and recycled water networks;
- Engage with regulators and governments on key environmental policy and regulatory issues; and,
- » **Champion** and promote the objectives and outcomes of the Better Buildings Partnership and Sydney 2030 to tenants and the wider community.

Goals

Immediate: The program will build capacity to drive sustainability across member operations by increasing their skills and knowledge and harnessing their interest.

Intermediate: The program will engage stakeholders around the wider benefits of sustainability and corporate citizenship. Members will be encouraged to participate in planning and decision-making for projects contributing to Sydney 2030.

Ultimate: The program will inspire the broader population of the commercial sector and lead market transformation. Members will demonstrate actual reductions in line with Sydney 2030. Sydney will be seen as a global leader for best practice in sustainability in buildings, precincts and urban development.

Actions

- Improve the sustainability performance of members' sites within the City's local government area in line with the Sydney 2030 goals;
- Share experiences and knowledge to improve the sustainability performance of sites;
- Facilitate the participation, commitment and input of appropriate staff on the technical working groups, as invited, to actively develop, drive and review the work of the BBP; and,
- » Apply, where commercially appropriate, the outputs of the BBP to their own members' portfolios.

Governance

Leadership panel

To realise the strategic and operational goals of the program, Better Buildings Partnership members actively participate in collaborative decision-making. The Partnership is directed by a leadership panel comprising senior representatives from each member organisation. This panel sets the partnership's annual work program, addressing the issues of most importance to members regarding the environmental efficiency of existing buildings.



Technical working groups

In addition to the Leadership Panel, technical working groups cover key focal areas:

- » environmental (formerly energy and water);
- » waste;
- » tenant and communities; and,
- » benchmarking and engagement

The technical working groups advise on, and deliver key projects such as toolkits, resources and other solutions to address the main challenges identified by the leadership panel. Projects focus heavily on systemic issues in the sector which require a collaborative approach, such as best practice leasing, operational waste, and decentralised energy and water. The Leadership Panel meets quarterly to:

- » Set the overall vision and strategic direction of the Partnership;
- » Develop an annual work plan and focus for the Partnership;
- » Establish technical working groups, as required, to undertake and drive specific projects;
- » Develop and endorse the annual budget (including project sponsors) to enable the delivery of the Partnership's work plan;
- » Monitor and review the Partnership's resourcing, governance and delivery; Release and promote project deliverables of the Partnership;
- » Set interim greenhouse gas reduction targets and agree on an appropriate benchmarking and annual reporting methodology;
- Ensure a register of member properties participating in the Partnership is established and kept up to date;
- Produce and release an annual progress report on the collective greenhouse gas emissions and reductions, connection to the city-wide green infrastructure and other achievements and activities of the Partnership;

Secretariat

Project management of the Better Buildings Partnership is delivered through the Secretariat, as provided by the City of Sydney.



Esther Bailey Leadership Panel Secretariat (2011-) City of Sydney Ben Thomas Technical Working Groups Secretariat (2012-) City of Sydney

moving industry

Annual Progress FY14

forward together

Environmental

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Tenant & Communities

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Waste

Benchmarking & Engagement

ANNUAL REPORT FY14

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Big 5 achievements

1 SET INTERIM EMISSIONS REDUCTION TARGETS

The Partnership set an emissions reduction target of 3 per cent per annum from the FY06 baseline.

2 DELIVER POTABLE WATER REDUCTION

As at the end of the year, the Partnership has delivered a 33 per cent reduction on total potable water use across its portfolio (FYO6 baseline). This is equivalent to nearly 1600 olympic-sized swimming pools.

ESTABLISH STANDARDS FOR OPERATIONAL WASTE PROCUREMENT AND MANAGEMENT

The Partnership released the Guidelines for Operational Waste Procurement, Management and Reporting for public consultation. These guidelines create a new industry best practice standard.



EMBED AND EVALUATE BEST PRACTICE LEASING ACROSS THE INDUSTRY

Since FY13, over 10,000 industry professionals have been engaged in the Partnership's leasing work. At the end of the year, the Partnership was concluding analysis of the state of best practice leasing in Sydney.

DEMONSTRATE PUBLIC DISPLAY OF LEADING ASSET PERFORMANCE

The Partnership - in collaboration with Investa Property Group and supported by Deutsche Bank, Carbon Arts and Buildings Alive - produced an interactive exhibit of building performance, visualising 5 assets in Sydney as performance runners.



Environmental

MAJOR ACHIEVEMENTS

SET INTERIM EMISSIONS REDUCTION TARGETS

The Partnership has committed to doing their part in achieving the Sydney 2030 vision - including the 70 per cent emissions reduction target. To measure progress towards the targets, a benchmarking platform is used with collection of monthly consumption data for commercial buildings in the portfolio. Targets are then created for buildings and member portfolios to stay on track to the overall targets.

Progress

The Partnership has set an emissions reduction target of 3% per annum from an FYO6 baseline (scope 1/2). To account for growth, the 3% target is tracked against asset and member portfolio intensity. The Partnership's absolute emissions are also measured and disclosed as a whole.

See the annual results for the Partnership's performance against its targets in FY14 starting from page 24.



2 DELIVER POTABLE WATER REDUCTION

As part of the Partnership's objective to improve the energy, water and waste efficiency of buildings, the Partnership has agreed to measure its reduction in potable water consumption and compare this to the City of Sydney's nominated best practice targets in the Decentralised Water Master Plan.

Progress

The City of Sydney's Decentralised Water Master Plan sets a best practice target for potable water use in commercial office buildings of 0.77 kL/sqm. The Partnership has evidenced 0.74 kL/sqm (weighted average) in potable water intensity.

See the annual results for the Partnership's performance against its targets in FY14 starting from page 24.



LEADERSHIP



Michael Goldrick Co-Chair (2012-) Frasers Property



Danielle McCartney Deputy Chair (2011-) UTS



Jamie Loader Co-Chair (2012-) Brookfield

For FY15, the energy and water groups will work together as a new Environmental technical working group. This change is reflected in FY14 reporting.

OTHER TOOLS AND PROJECTS DELIVERED

City of Sydney masterplan engagement

Thermal reticulation network checklist

Recycled water connection guidelines

Building performance case studies

Cooling tower performance and benchmarking study

Fire test water guidelines

Sustainable precincts guide

The Partnership engages with the City of Sydney's masterplanning processes, providing key input to the Renewable Energy and Energy Efficiency Masterplans and Climate Change Adaptation Plan.

Checklist and case studies about how and when buildings may connect to a thermal reticulation network.

Guidance, specifications and scenarios on preparing a building to utilise recycled water sources.

Sharing of practical experience across a range of energy, water and renewables projects from industry leaders.

Best practice management and benchmarking of cooling tower performance (currently in progress).

Step-by-step guide on minimising fire test water waste (currently in progress).

Technical and social infrastructure guide to creating sustainable precincts including precinct infrastructure modelling tools .

Waste

MAJOR ACHIEVEMENTS **ESTABLISH** STANDARDS FOR OPERATIONAL WASTE PROCUREMENT AND MANAGEMENT

For operational waste management in buildings, there are numerous different collection and disposal methods, streams of recycling and a myriad of data types, all of varying quality. This diverse landscape creates significant challenges for understanding true performance and evidencing progress toward targets. The Partnership has worked collaboratively to establish new industry standards for best practice in operational waste management. This work will enable better measurement and analytics between assets and portfolios, creating meaningful comparison, and enable target setting once baselining can be conducted.

Progress

At the end of FY14, the Partnership released a public consultation draft of its Operational Waste Guidelines. The guidelines include model contract clauses for waste and cleaning services, templates for managing waste from the building (including management of contamination and other diversion influencers) and a reporting matrix for grading the quality of data based on level of detail collected and audit processes used.





LEADERSHIP



Jon Collinge Chair (2013-) Lend Lease



Deputy Chair (2011-) Mirvac Group

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OTHER TOOLS AND PROJECTS DELIVERED

Best practice operational waste guidelines

Operational waste management plan template

Data integrity rating matrix

Outcomes-based reporting paper

Commercial office industry density-weight conversions

Model operational waste procurement clauses

Use of social enterprise for stripout case study

Tenancy refresh with refurbished material case study

Outlines best practice steps for the management of waste and provides flowcharts on what areas of procurement, management and reporting of waste are most appropriate for intervention.

Sets a common reporting standard that enables comparison between multiple sites and providers. Consistent application will reduce reporting costs.

Sets a framework for rating the confidence in your waste data based on whether it has multiple sources.

Offers a grading to evaluate the outcomes for waste to enable a move towards closed-loop recycling for socially beneficial outcomes.

Sets a common reporting standard that enables accurate comparison between multiples sites and providers. Consistent application will reduce reporting costs, increase reporting confidence and inform decision making.

Provides ready-to-use waste contract procurement clauses to ensure clear delineation of expectations and roles.

Industry example of low-cost, high-skill resource to disassemble a fitout with care for maximised reuse.

Profile of a project demonstrating cost savings from refreshing a tenancy using refurbished materials, freeing budget for better quality technology, finishes and staff amenities.

Tenant and Communities

MAJOR ACHIEVEMENTS **EMBED AND EVALUATE** BEST PRACTICE LEASING

To continue driving environmental excellence in base buildings and empower tenants, leasing frameworks need to enable collaboration between tenant and landlord and not impede the continued improvement of buildings through upgrades and enhanced amenity. Best practice leases offer formal structures to engage with tenants through data and information sharing, active resource management planning, and the use of standards, specifications and ratings to evidence improvement.

Progress

To date, the Partnership has consolidated and published over 50 tools, including template Model Lease Clauses, to facilitate better collaboration between tenants and landlords. Since FY12, over 10,000 industry professionals have engaged with the Partnership through industry education, conferences, publications, and workshops. The Partnership is finalising globally first research analysing the state of leasing in Sydney for release in FY15.

>50 tools 10k engaged

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OTHER TOOLS AND PROJECTS DELIVERED

Model lease clauses

Leasing lifecycle tool

Tenants and Landlords Guide to Happiness

Why Choose High-Performing Buildings factsheet

Template site selection briefs

Vertical communities toolkit

Provides ready to use best practice lease clauses; neutrally drafted and in a range of strengths with explanatory text for the non-expert.

Collates best practice leasing resources into one location alongside guidance on who should be involved in making the decisions at each stage.

Easy to read explanation of why collaboration and best practice leasing matters, how it works, and case studies on how it delivers benefits to both parties.

Translates the value of choosing a building with strong environmental performance into financial value through direct savings, productivity and reduced employee churn. Builds the case to spend more per square metre and still deliver improved value to tenant organisations.

Helps tenants to articulate their sustainability objectives in their requests for information to the market and the expected detail in responses from leasing agents and tenant representatives.

Template tools to bring tenants together to collaborate through building management committees and engagement, establishing common goals, targets and unlock building upgrades.

Benchmarking and Engagement

MAJOR ACHIEVEMENTS

DEMONSTRATE PUBLIC DISPLAY OF PROGRESS AND LEADING ASSETS

In order to lead by example, the Partnership collects information on the performance of its buildings and shares insights on how upgrades and active management can lead to more sustainable outcomes. The Partnership does its part to share the learnings with the whole sector and wider community to drive better performance.

Progress

The Partnership installed a real-time visualisation of buildings as high-performance runners, using building energy data to show runners competing with themselves to run as efficiently as possible. The art installation ran as part of City of Sydney's Art & About festival and was sponsored by Investa Property Group and Deutsche Bank and supported by Carbon Arts and Buildings Alive.

>150k sqm visualised



Building Run art installation at 126 Phillip Street, Sydney owned by Investa Property Group

BETTER BUILDINGS PARTNERSHIP

LEADERSHIP



Chris Derksema Chair (2011-) City of Sydney

For FY15, the metrics group has been renamed to Benchmarking and Engagement to include the vital engagement work with broader industry. This change is reflected in FY14 reporting.

 The BBP has reached

 the halfway mark

 of the Sydney 2030

70 per emissions reduction target in its portfolio.

OTHER TOOLS AND PROJECTS DELIVERED

BBP performance tracking platform (members only)

BBP benchmarking targets

Member asset league tables (members only)

Shared database for tracking environmental performance across energy, water and waste, with datasets back to FY06.

Shared vision and interim markers to substantiate progress towards common goals such as the Sydney 2030 targets.

Internal resource for establishing friendly competition between members and troubleshooting the different ways of tuning and managing building performance.

Big 5 goals FY15

1 LEAD NEXT WAVE OF TECHNOLOGY AND MANAGEMENT INNOVATION

2 EMPOWER TENANTS' COMMITMENT TO PERFORMANCE

3 ENABLE REMOVAL OF BARRIERS TO GREEN INFRASTRUCTURE

4

EMBED AND EVALUATE OPERATIONAL WASTE BEST PRACTICE

5 CREATE NEW MARKET FOR FITOUT MATERIAL AND WASTE

BETTER BUILDINGS PARTNERSHIP

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Annual Results FY14

Scope

The scope of inclusions for this data is set out in the Partnership Metrics Handbook.

- » All NABERS rate-able commercial office buildings
 - » base building services/meters
- » Emissions scope 1 & 2 electricity, energy and gas
 - » diesel, refrigerants and scope 3 (waste) excluded

Data Verification

These outcomes rely upon the data reported by the Partners and the result of best efforts in designing a model/process that provides a number of metrics which will be used to measure sustainability performance over time.

Confidence

The platform calculates accruals where gaps in data exist. For FY14, 3.5 per cent of data is accrued.

To find out more about the Better Buildings Partnership, visit

Key Figures

betterbuildingspartnership.com.au



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Energy

Emissions

Trigeneration



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Water

Key Figures

10 reporting portfolios

2.46m sqm net lettable area (Sydney CBD)



94 commercial office buildings

51% Sydney CBD commercial office space

> 113 kT CO₂-e avoided (from FY06)

A\$105b investment under management

33% potable water reduction (from FY06) A\$30m saved p.a. from avoided electricity





The Partnership controls more than half of the commercial office space in Sydney CBD.

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Emissions



Partnership total emissions over time

Partnership cumulative emissions savings and savings per annum The Partnership abated over 112,600 tonnes of CO₂-e in FY14, more than any year before.

Since FY06, the Partnership has abated over 400,000 tonnes of CO₂-e.

12,212

5 354

FY08



297,340

In FY14 the Partnership reached the halfway mark to its 70 per cent emissions reduction target, delivering

FY07

6,858

tonnes CO₂-e

FY06

Emissions Intensity

The average emissions intensity for a BBP building is 80 kg CO₂-e/sqm, 35 per cent better than the market average.

The average emissions intensity has reduced by 42 per cent since FY06.



Partnership annual emissions intensity against target (weighted average)



Energy

Partnership energy consumption over time

The Partnership's energy consumption rose in FY14, due in part to the increased use of low-emissions energy technologies like co- and trigeneration. See the emissions savings from these technologies on page 31.





Energy & Trigeneration

Partnership average energy intensity

The average energy intensity for a BBP building is 425 MJ/sqm, 15 per cent better than market average.

The average energy intensity has reduced by 32 per cent since FY06.

The most energy efficient building in the BBP operates at 188 MJ/sqm, 56 per cent below the current BBP average performance.

This is 63 per cent below market average.



Partnership FY14 total energy



Emissions Impact: Trigeneration vs. Grid Power

Tri- and co-generation technologies accounted for 14 per cent of total energy use in FY14, delivering a 3.5 per cent reduction in total BBP CO_2 -e emissions to grid power.

On average, BBP buildings using trigen reduced their emissions by over 20 per cent, compared to grid power.

Partnership FY14 total emissions



Water

Partnership total potable water consumption over time

The absolute potable water consumption has reduced by 33 per cent from FY06.

Since FY06, the Partnership has saved over 3.97 GL of potable water, the equivalent of nearly 1600 olympic-sized swimming pools.



3,970 3,066 Partnership cumulative water cumulative savings savings and savings per annum 2,292 The Partnership saved nearly 1,566 1 GL of potable water in FY14, more than any year before. 1,005 904 775 726 593 annual 561 savings 413 297 296 107 190 F FY06 FY09 FY10 FY11 FY12 FY13 FY14 FY07 FY08

In FY14 the Partnership reached the potable water intensity target of 0.77 kL/sqm.

This target is industry best practice for commercial office buildings and the Partnership is now setting a new target.

Partnership potable water intensity (weighted average)

0.74 kL/sqm FY14 average BBP potable water intensity

> 0.23 kL/sqm FY14 BBP best performer

The highest-performing building in the BBP operates at a potable water intensity of 0.23 kL/sqm, over 71 per cent better than market average.

This asset utilises a large supply of recycled water to achieve this performance. *The average potable water intensity for a BBP building is 0.74 kL/sqm, a reduction of 38 per cent since FY06.*

1.19 kL/sqm FY06 BBP baseline

0.8 kL/sqm FY14 average water intensity, Australia (57% market)

0.77 kL/sqm FY14 BBP target

> The average potable water intensity for a BBP building is 8 per cent better than known market average.

Note: the BBP portfolio in Sydney CBD alone represents approximately 25 per cent of the known market performance, skewing the average toward best practice.

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