

2016

real foundations



NAREIT
Leader In The Light
Working Forum

Moving the Needle • Sustainable Real Estate Practices

Jan. 26-27 Ritz Carlton-Coconut Grove • Miami, FL

Making it Happen: Building Sustainable Capital

Leader in the Light Working Forum
January 26, 2016



AccountAbility

Methodology – 2015

INVOLVE

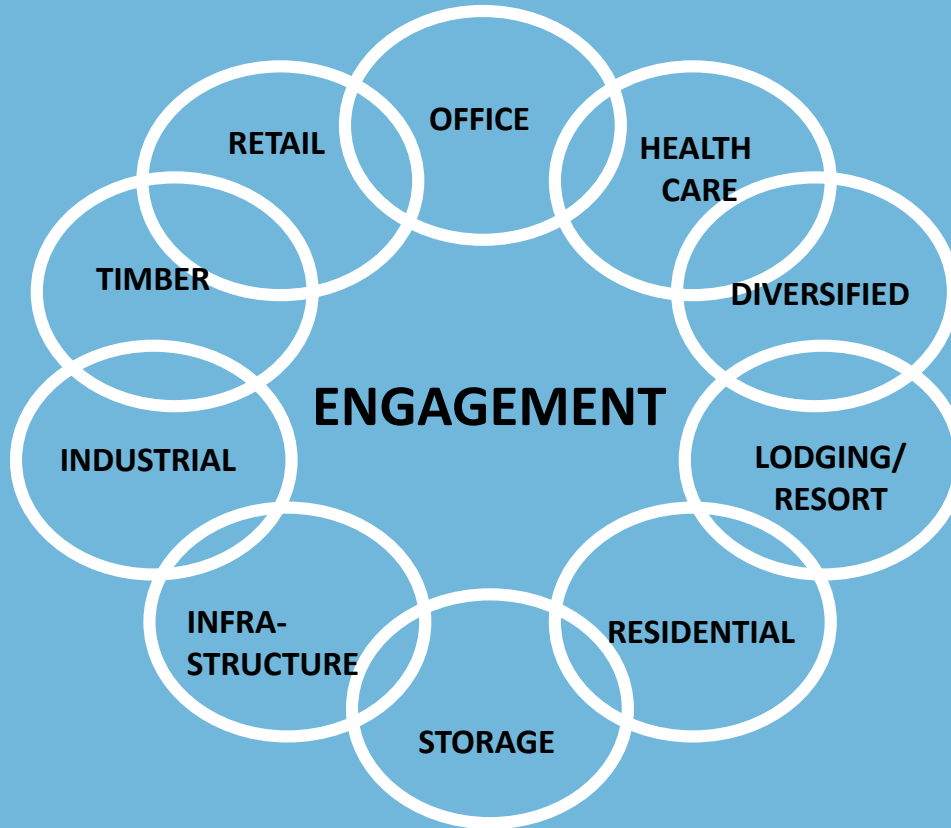
INTERVIEWS

RESEARCH

SURVEY

NEEDS ASSESSMENT

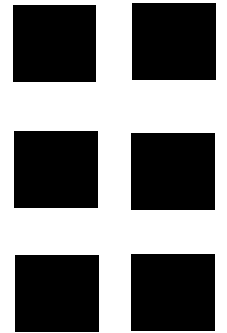
COLLABORATE



EMPOWER

DISTILL

LEADING PRACTICES TOOLKIT



Source: AccountAbility Institute, 2015

Toolkit Review – Information Sources

Process

SURVEY



Outcome

CURRENT PRACTICES

INTERVIEWS



CASE STUDIES

**ENGAGEMENT
WORKSHOP**



**STAKEHOLDER
OBSERVATIONS**

RESEARCH



RATIONALE

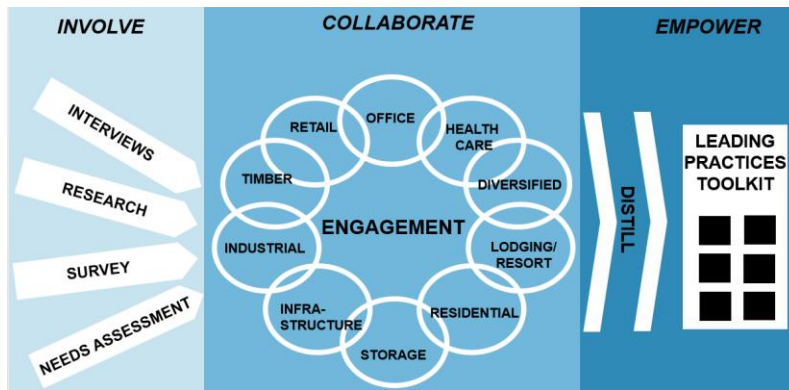


Information Sources

OVERALL METHODOLOGY

This toolkit is the culmination of a three-phase stakeholder engagement-based project conducted by NAREIT and AccountAbility.

Each of the individual components are used to inform the leading practices and supporting information in this toolkit, and is described on this page.



Source: AccountAbility Institute, 2015

CASE STUDIES

INTERVIEWS

A total of 16 interviews were conducted with sustainability leaders from almost all REIT sectors.

Retail	✓	✓	Lodging/Resort	✓	✓
Residential	✓		Storage	--	
Office	✓		Timber	✓	
Health Care	✓		Industrial	✓	✓
Diversified	✓		Infrastructure	--	
NAREIT International Peer Organizations	✓	✓	✓	✓	✓

CURRENT PRACTICES

SURVEY

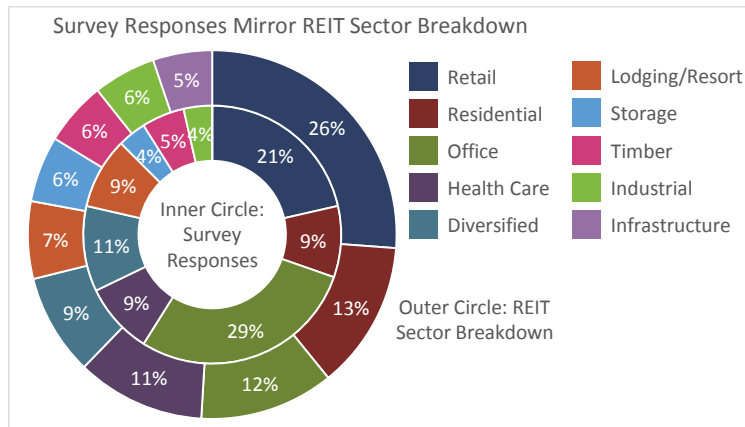
A 26-question sustainability survey was sent to REITs in August 2015. Open for three months, the survey garnered 56 complete responses.

56 Responses

31% Response rate

90% Confidence level (with 9% margin of error)

9 Property sectors represented (out of 10)



RATIONALE

RESEARCH

80+	5	9	12+	12+	10+
Reports, Studies, and Articles Studied	NAREIT International Peers' Guidance Reviewed	Leader in the Light Winner Programs Reviewed	Real Estate Sustainability Events Attended	Standards, Ratings, and Frameworks Benchmarked	Real Estate Sustainability Surveys Evaluated

STAKEHOLDER OBSERVATIONS

ENGAGEMENT WORKSHOP

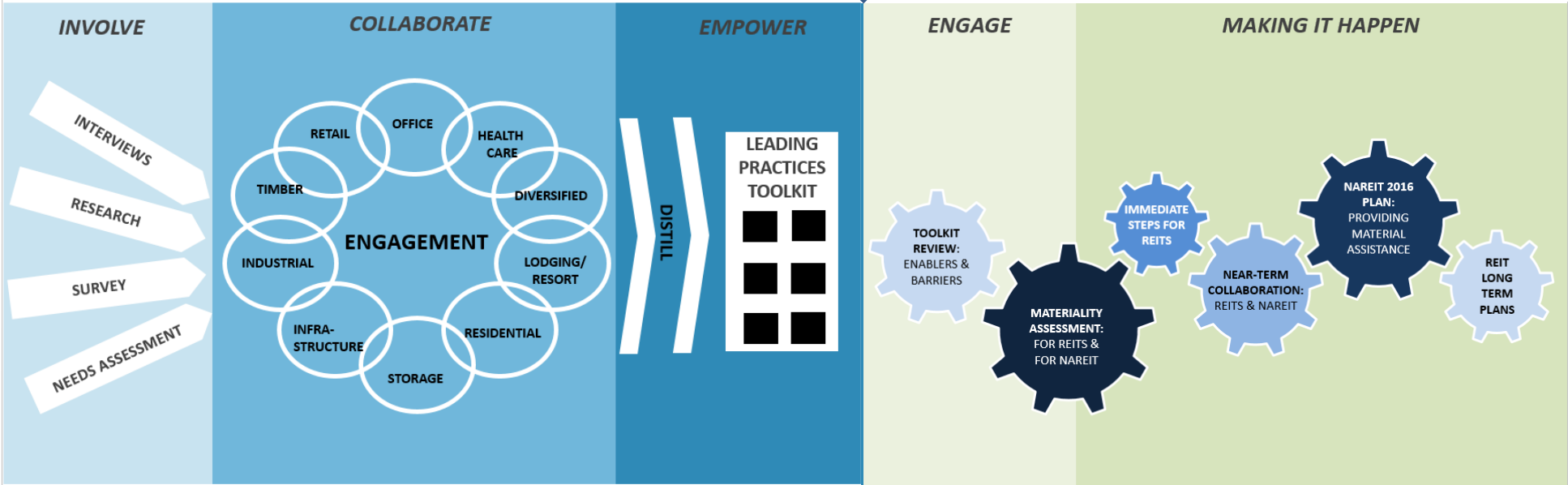
On October 7, 2015 NAREIT sustainability stakeholders met for a one day workshop in New York on the Leading Sustainability Practices Toolkit initiative. Participants discussed the critical success factors and challenges through the exercises described at right.

- 80 Stakeholders in attendance
- 10 Opportunities to react to preliminary survey results
- 5 Interactive group and individual activities
- 8 Town hall-style discussions



Methodology – Big Picture

YOU ARE HERE



Source: AccountAbility Institute, 2015

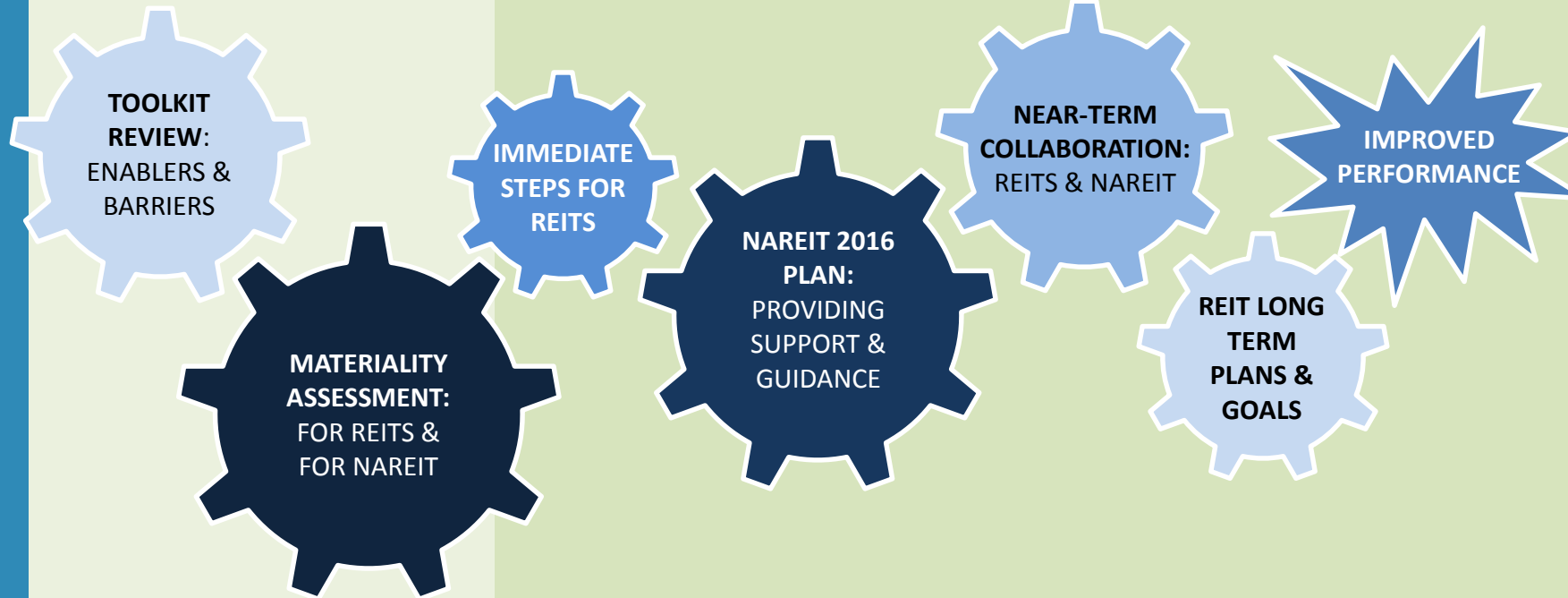
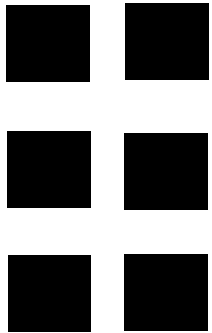
Methodology – 2016

EMPOWER

ENGAGE

MAKING IT HAPPEN

LEADING PRACTICES TOOLKIT



Source: AccountAbility Institute, 2015

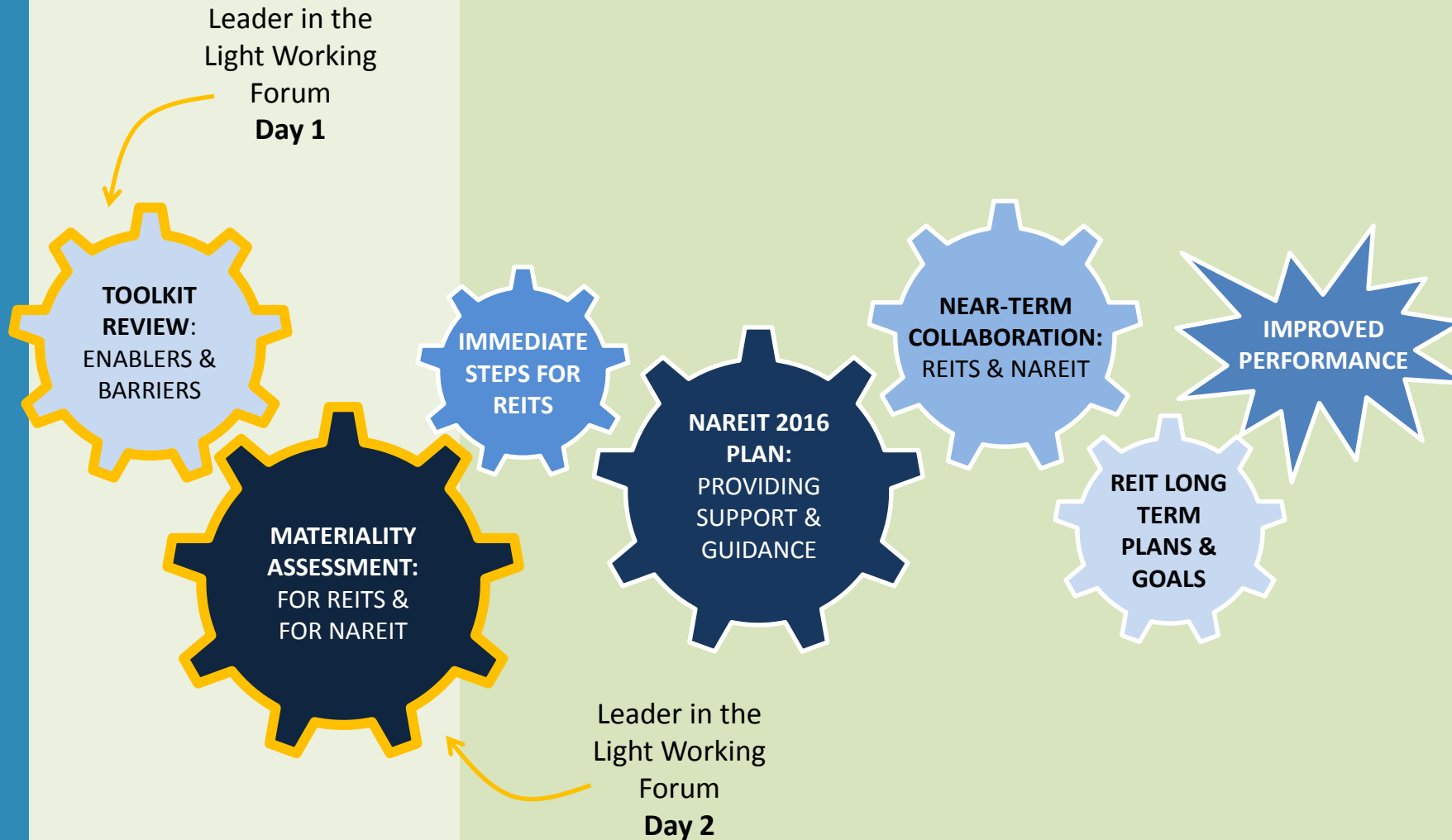
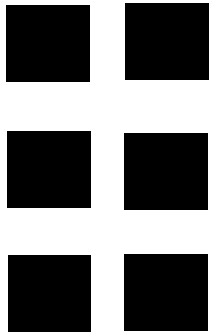
Methodology – 2016

EMPOWER

ENGAGE

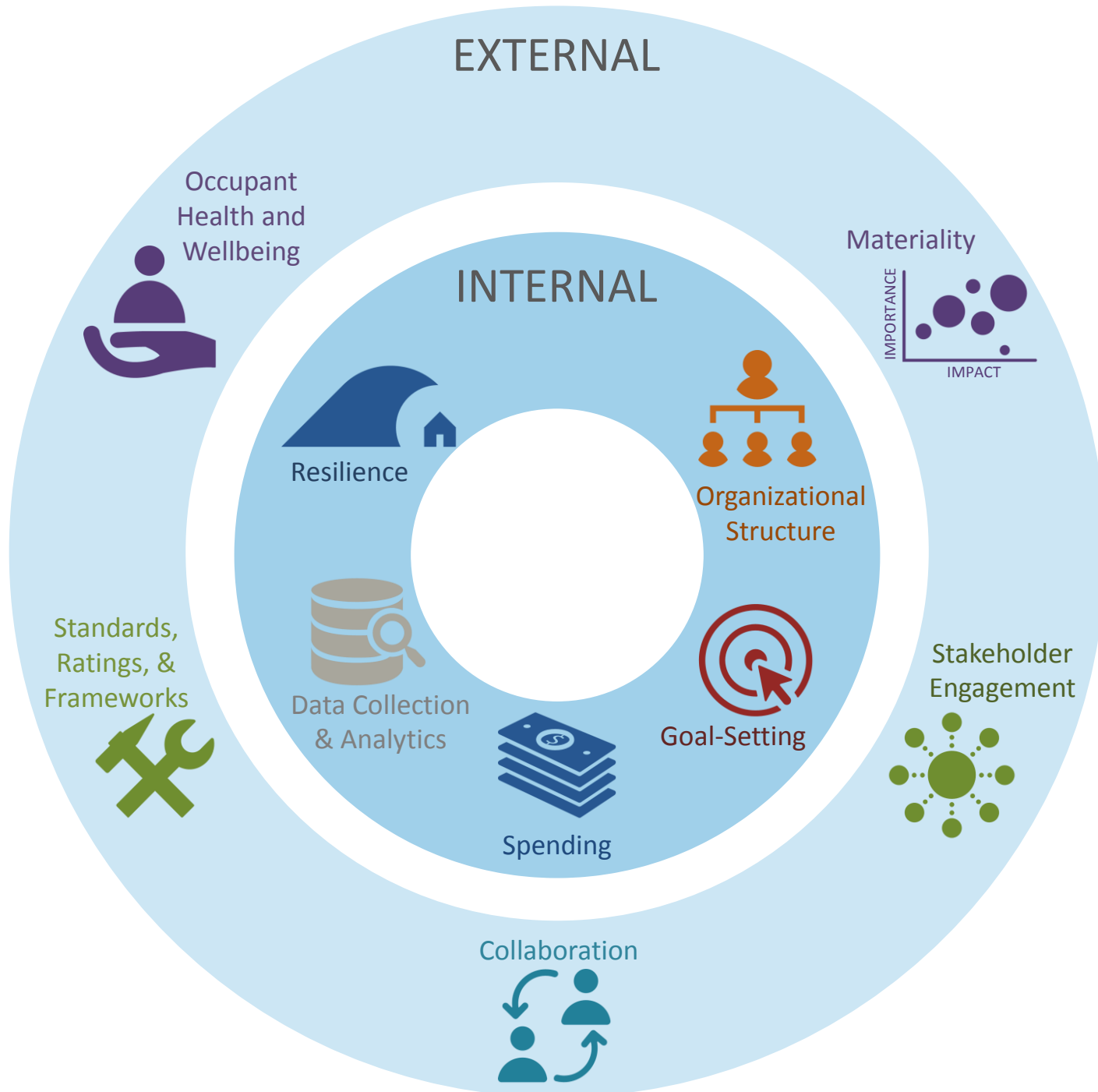
MAKING IT HAPPEN

LEADING PRACTICES TOOLKIT



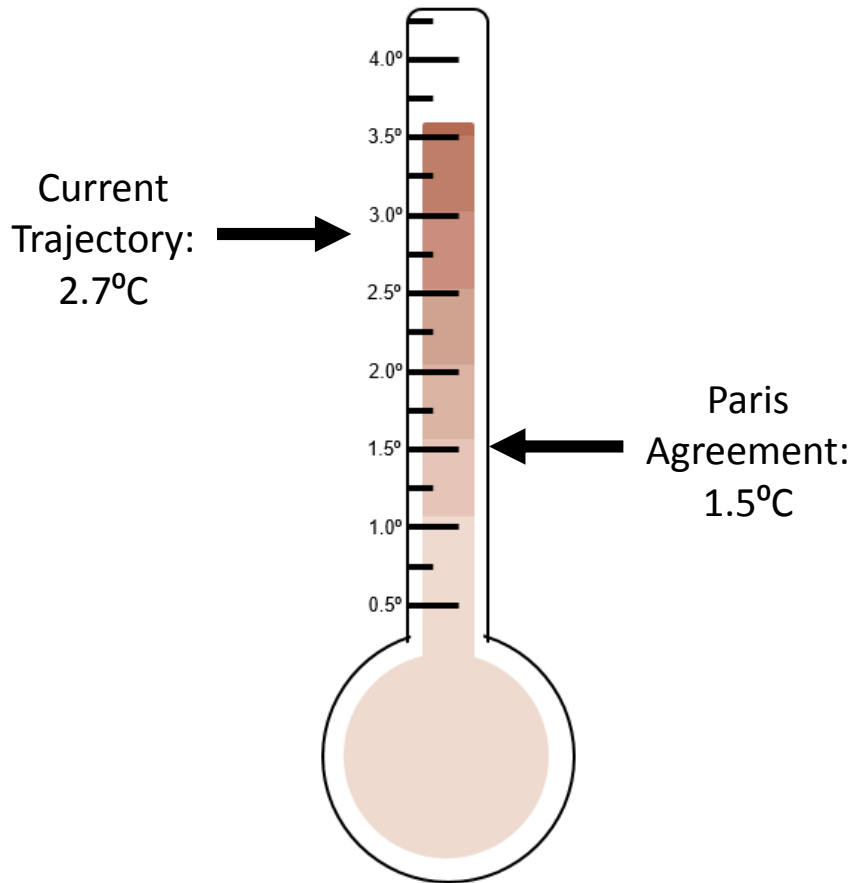
Source: AccountAbility Institute, 2015

Critical Success Factors



Key Take-Away: Goal-Setting & Impact

PARIS AGREEMENT 2015



*“...significant **gap between the aggregate effect of Parties’ mitigation pledges** in terms of global annual emissions of greenhouse gases by 2020 and aggregate emission pathways consistent with **holding the increase in the global average temperature to well below 2° C** above pre-industrial levels...”*

PARTIES AGREE TO SET GOALS

Article 4, Paragraph 2. Each Party shall prepare, communicate and maintain successive nationally determined contributions that it intends to achieve. These goals will:

- ✓ Update and progress every 5 years
- ✓ Provide a reference point (base year)
- ✓ Provide the time frame for implementation
- ✓ Provide assumptions and methodology

Key Take-Away: Goal-Setting & Impact

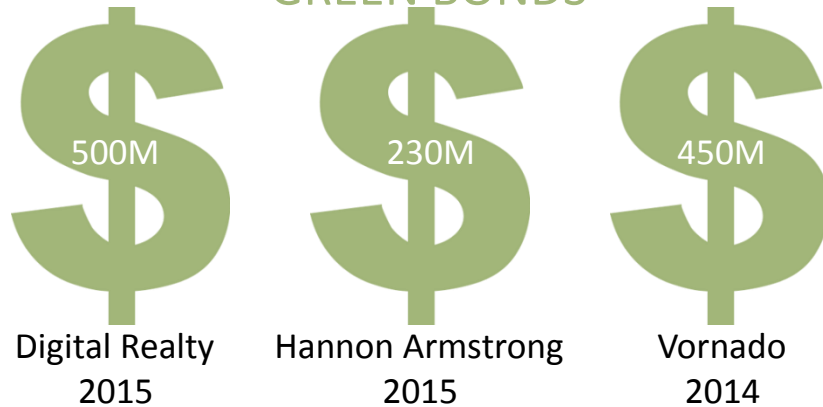
PARIS AGREEMENT 2015 NON-STATE ACTORS ALSO SET GOALS

- ✓ 2,254 CITIES
- ✓ 150 REGIONS
- ✓ 2,034 COMPANIES
- ✓ 425 INVESTORS
- ✓ 235 CSOs
- ✓ 10,825 TOTAL COMMITMENTS

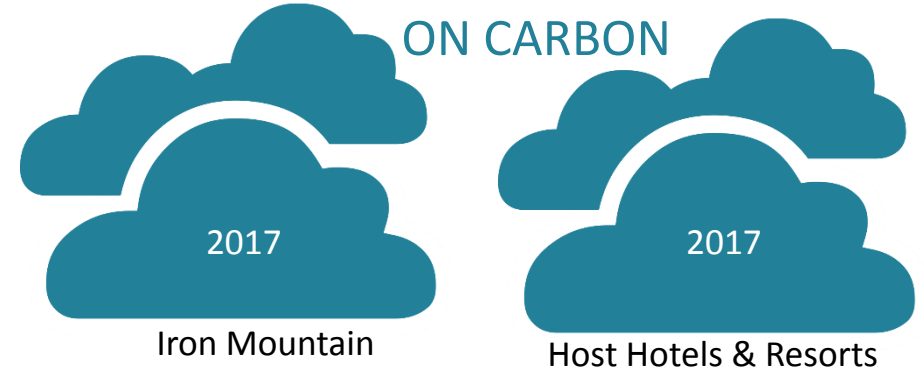


NAREIT LitL

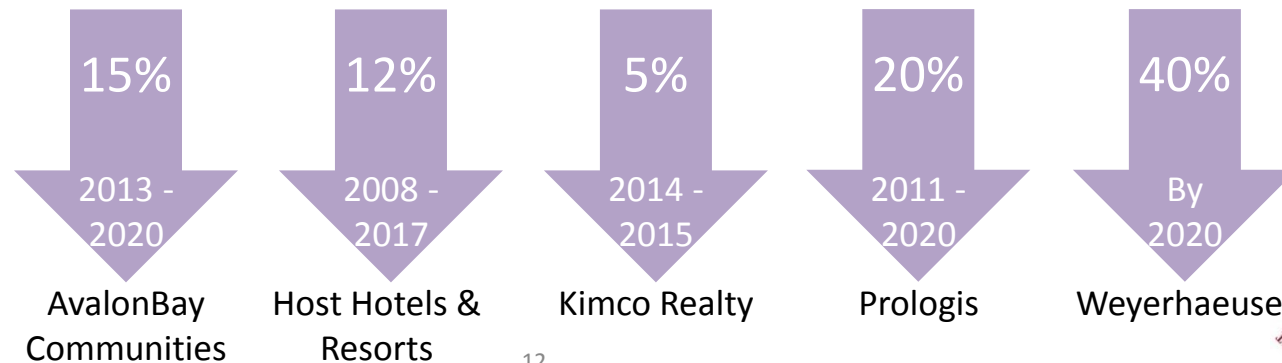
GREEN BONDS



INTERNAL PRICE ON CARBON



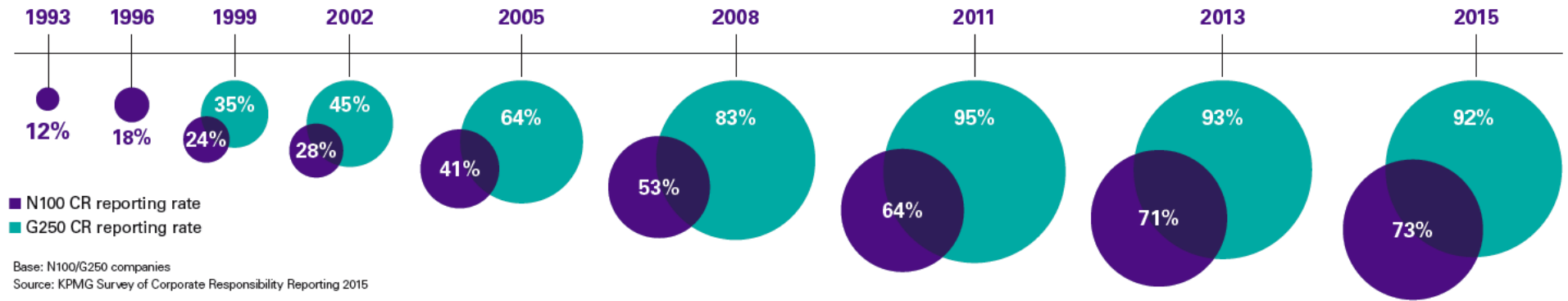
EMISSION REDUCTION TARGETS



Key Take-Away: Sustainability Reporting

Sources: AccountAbility Institute Research, 2016
KPMG Survey of Corporate Responsibility Reporting, 2015, 2013

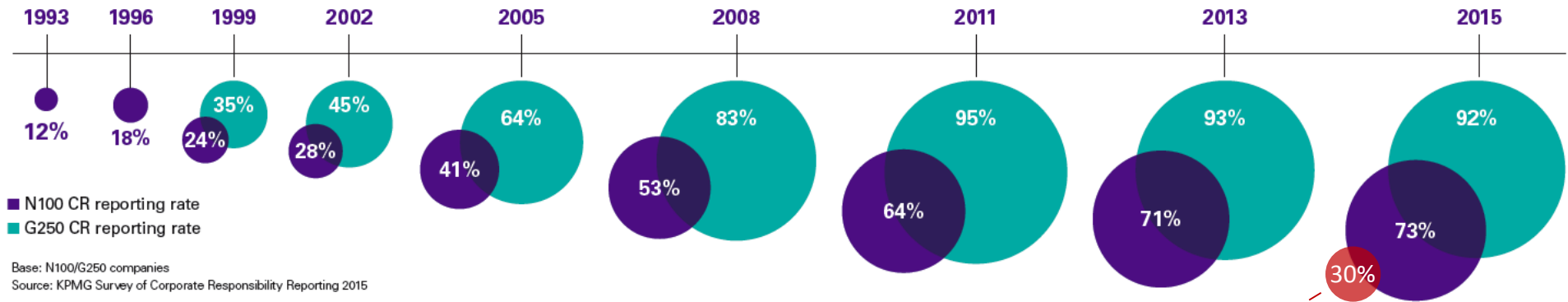
CR reporting stabilizes at a high level



Key Take-Away: Sustainability Reporting

Sources: AccountAbility Institute Research, 2016
KPMG Survey of Corporate Responsibility Reporting, 2015, 2013

CR reporting stabilizes at a high level



Less than 30% of NAREIT's Members Report on Sustainability



NAREIT Members reporting (CDP, GRI)
Source: AccountAbility Survey 2015

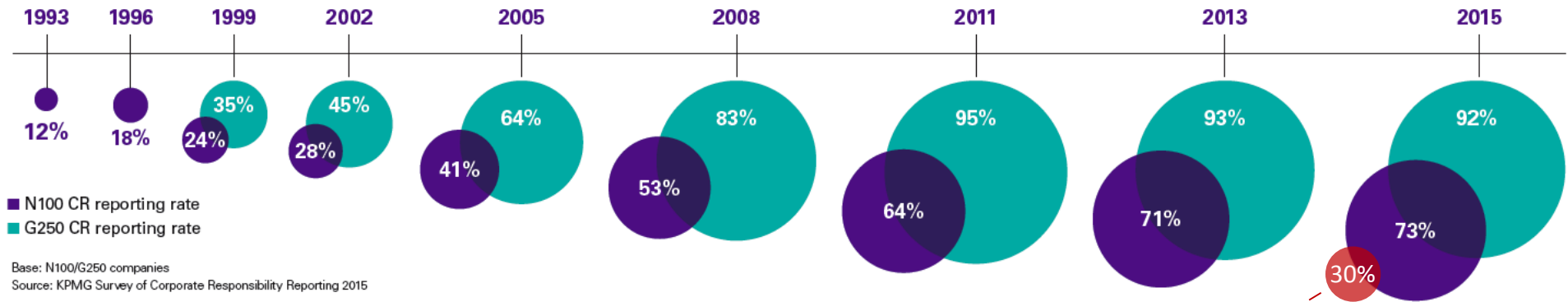


FTSE-NAREIT Index producing formal CSR report
Source: SASB Public Comment Letter

Key Take-Away: Sustainability Reporting

Sources: AccountAbility Institute Research, 2016
KPMG Survey of Corporate Responsibility Reporting, 2015, 2013

CR reporting stabilizes at a high level



Less than 30% of NAREIT's Members Report on Sustainability

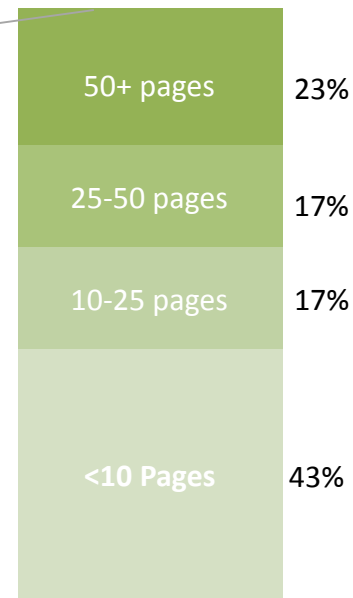
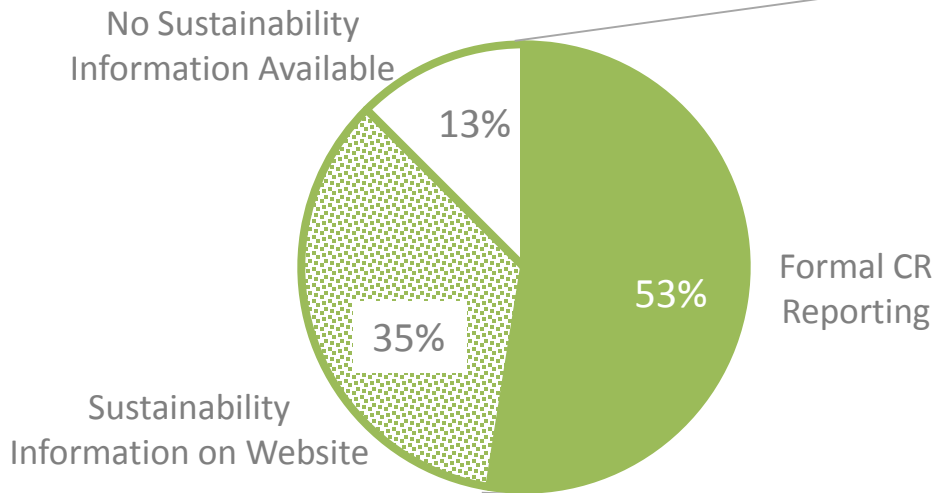


30% NAREIT Members reporting (CDP, GRI)
Source: AccountAbility Survey 2015



28% FTSE-NAREIT Index producing formal CSR report
Source: SASB Public Comment Letter

Leader in the Light Working Forum 2016 Attendees

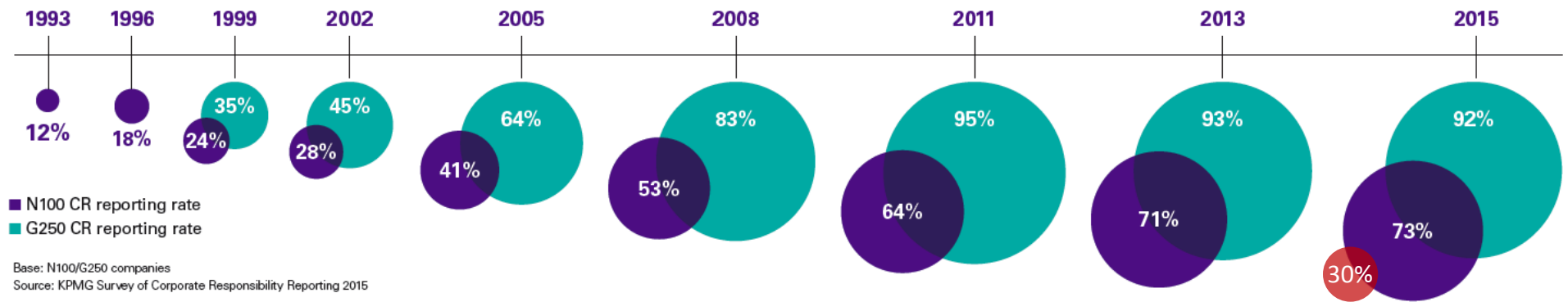


Source: AccountAbility Institute Research, 2016

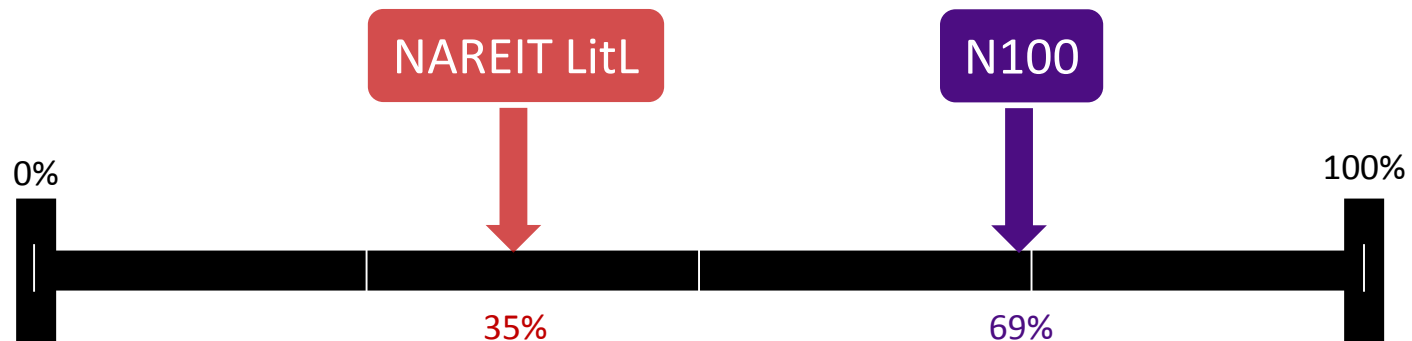
Key Take-Away: Sustainability Reporting

Sources: AccountAbility Institute Research, 2016
KPMG Survey of Corporate Responsibility Reporting, 2015, 2013

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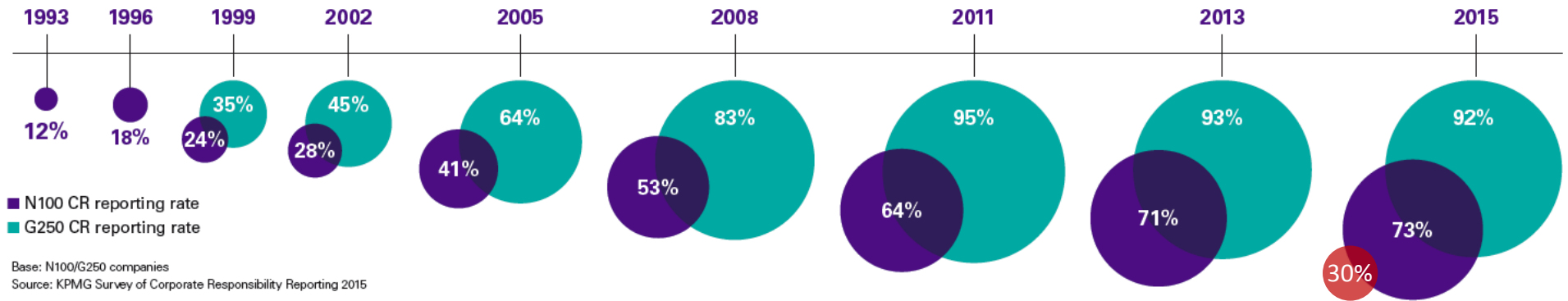
CR reports referring to the GRI Guidelines



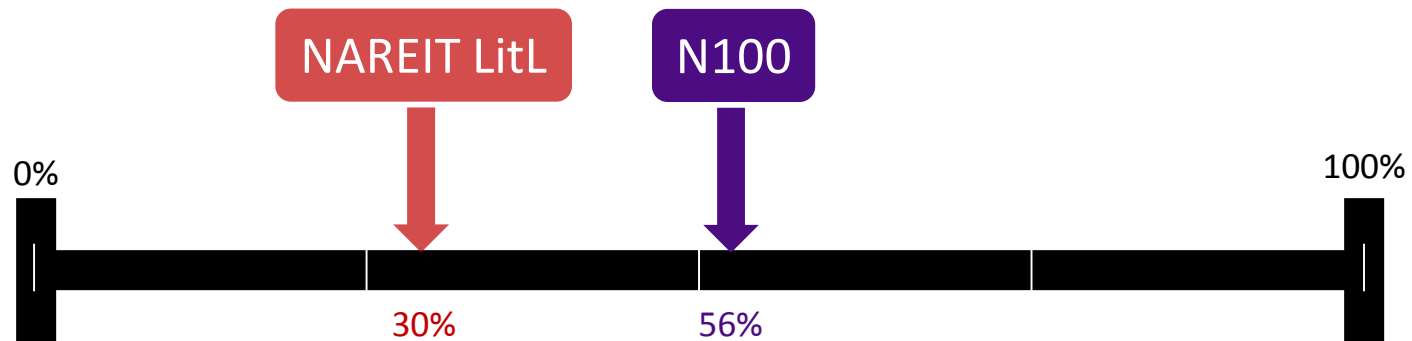
Key Take-Away: Sustainability Reporting

Sources: AccountAbility Institute Research, 2016
KPMG Survey of Corporate Responsibility Reporting, 2015, 2013

CR reporting stabilizes at a high level



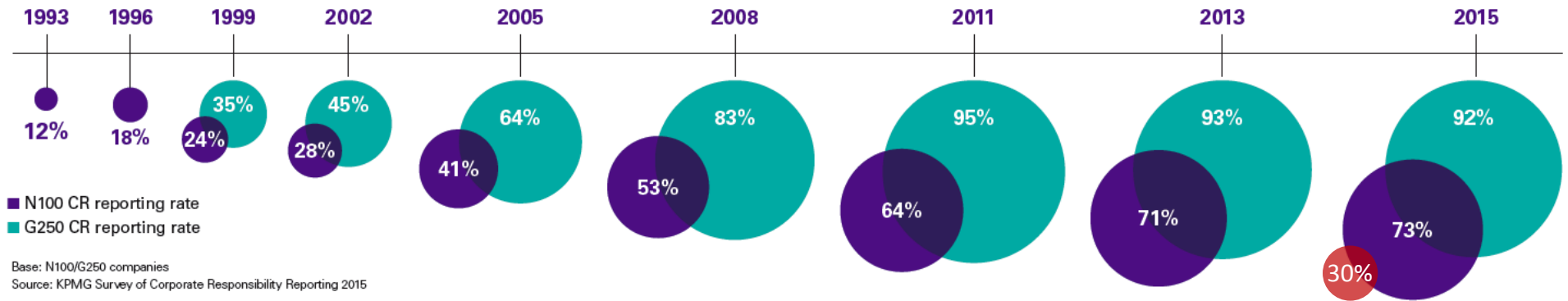
CR inclusion in annual financial reports



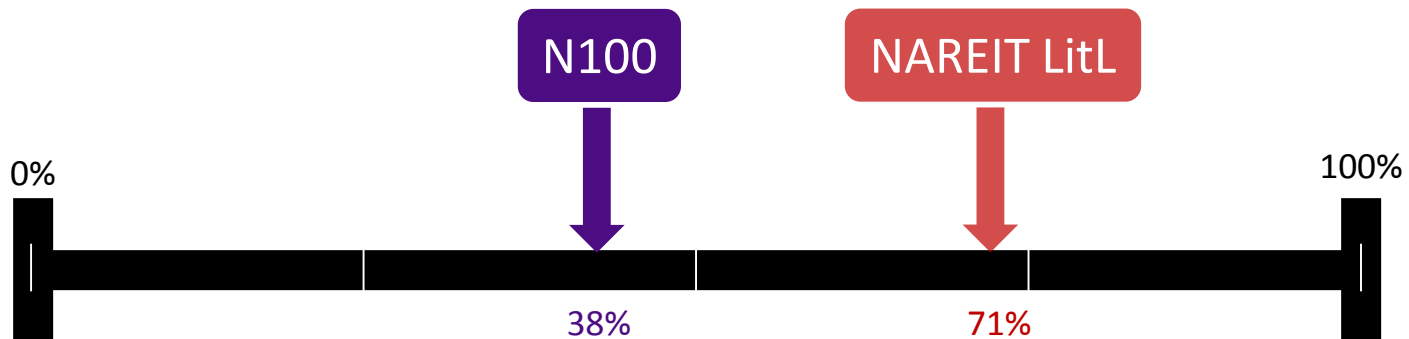
Key Take-Away: Sustainability Reporting

Sources: AccountAbility Institute Research, 2016
KPMG Survey of Corporate Responsibility Reporting, 2015, 2013

CR reporting stabilizes at a high level



Stakeholder engagement process clearly explained in CR Report



Key Take-Away: High Quality Stakeholder Engagement

STAKEHOLDER ENGAGEMENT MECHANISMS			
	ENGAGEMENT TYPE	FREQUENCY	RESULT
SHAREHOLDERS	NAREIT Conferences	Bi-Annually	Increased awareness of HCP's env and social performance; obtained further value generating opportun
	Investor Conferenc		
TENANTS AND OPERATORS	Tenant Satisfaction		
	Green Team Meeti		
	Site Evaluations		
PROPERTY MANAGERS	Tenant Newsletter		
	HCP MOB and Life		

03
Our Commitment to Corporate Responsibility

GRI GENERAL STANDARD DISCLOSURES G4-24, G4-26, G4-27

2014 Corporate Responsibility Report page 11


KEY STAKEHOLDER GROUPS ENGAGED	MAIN DIALOGUE AND FREQUENCY
Customers	<ul style="list-style-type: none"> Regular customer feedback collected via Customer Advisory Board (CAB), legal For example in North America, surveys Additional regular "courtesy calls" to cu
Employees	<ul style="list-style-type: none"> Online global employee surveys conduct performance evaluation including form Regular feedback via line managers in meetings Front-line field employees participate in Multiple one-way and two-way commu
Stockholders	<ul style="list-style-type: none"> Annual general stockholder meeting a Quarterly earnings teleconferences an Regular industry and brokersponsor roadshows
Non-profit partnerships	<ul style="list-style-type: none"> Feedback from partner organizations a Discussion with prospective grant recip Regular volunteer events and activitie

Stakeholder Engagement Mechanisms

OUR APPROACH ENVIRONMENT SOCIAL GOVERNANCE

GRI G4-27

- Communities**
 - Community meetings before, during and after development of properties
 - Employee volunteerism
 - Donations to nonprofit and charitable organizations
- Customers**
 - Annual Customer Advisory Board meetings in the U.S. and Europe
 - Dedicated relationship contacts
 - Biannual customer satisfaction surveys
 - Meetings with top customers
- Employees**
- Government**
- Industry Assoc**
- Media**
- Nongovernment Organizations**
- Shareholders**
- Brokers**
- Suppliers**



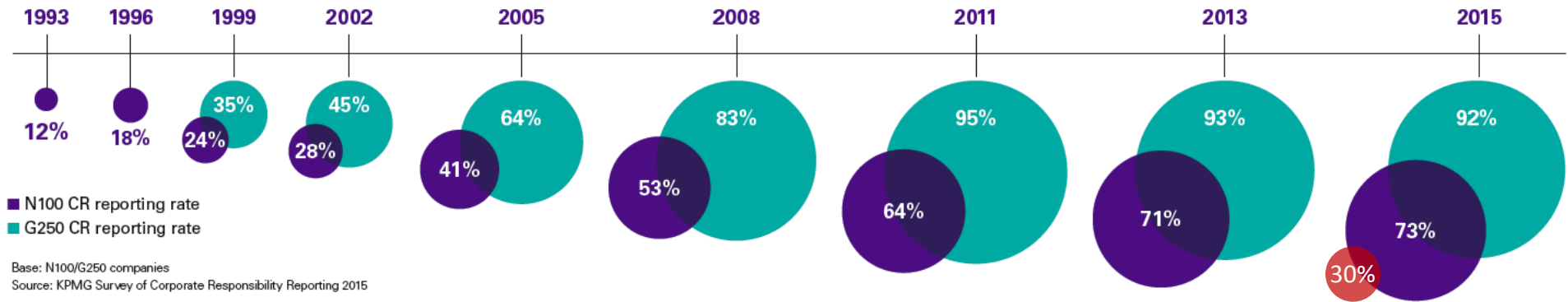
Redlands, California

STAKEHOLDER GROUP	LEVEL OF ENGAGEMENT	ENGAGEMENT APPROACH	SPECIFIC TOPICS OF DISCUSSION
Shareholders and Joint Venture Partners	Organizational level	<ul style="list-style-type: none"> One-on-one dialogue with individuals and institutions Direct dialogue with domestic and international joint venture partners Information sharing via established investor disclosure forums (e.g., CDP, Global Real Estate Sustainability Benchmark) Interactions facilitated via convening industry associations (e.g., NAREIT) Dialogues with investor issue alliances (e.g., CERES) 	Transparency/reporting, climate risks, energy, emissions, water, waste, corporate governance, health & safety
Tenants	Organizational level Project/Asset level	<ul style="list-style-type: none"> One-on-one dialogue with national, regional, and local tenant representatives Participation in joint industry association issue working groups (e.g., ICSC/RLA Landlord-Tenant Working Group) 	Energy, emissions, water, waste, materials, building efficiency, economic performance
Vendors	Organizational level Project/Asset level	<ul style="list-style-type: none"> One-on-one dialogue with individual vendors Policy setting and information sharing requests made through contracts and other mechanisms 	Procurement practices, compliance, anti-corruption, occupational health & safety, materials, energy, emissions, water, waste, building efficiency
Employees	Individual level	<ul style="list-style-type: none"> One-on-one engagement Focus groups and workshops for specific issues, such as wellness 	Employment, training & education, health & wellness, benefits, diversity & equal opportunity

Key Take-Away: Sustainability Reporting

Sources: AccountAbility Institute Research, 2016
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CR reporting stabilizes at a high level



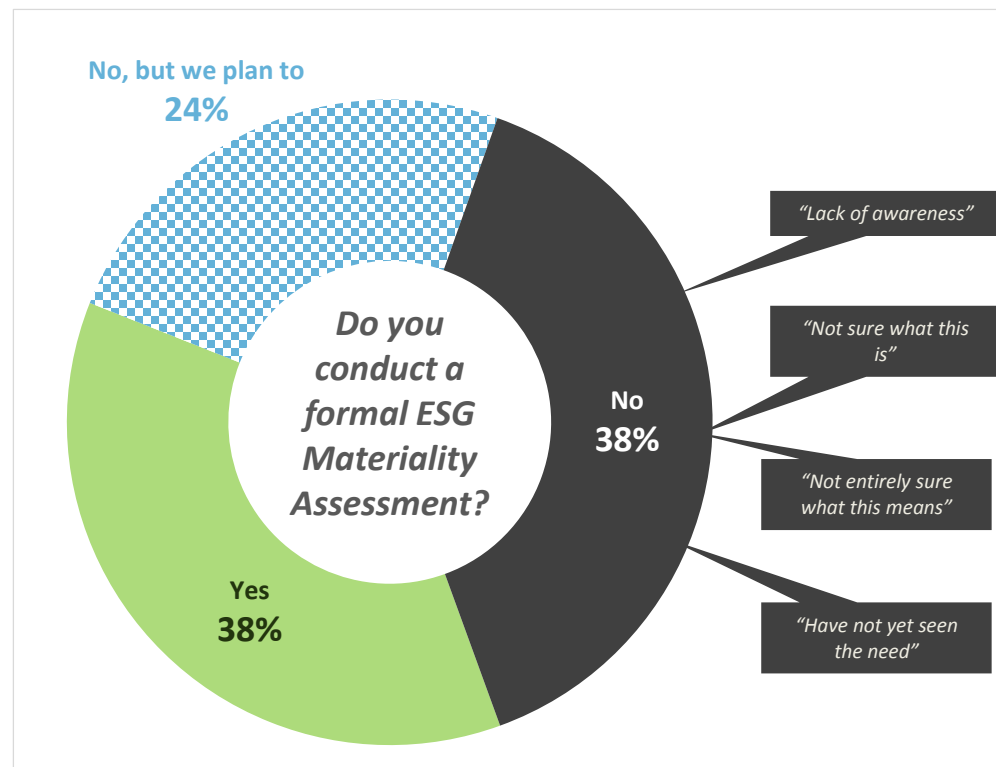
Materiality explained in CR Report



Key Take-Away: Materiality

Almost two-thirds of stakeholders are not conducting materiality assessments, many of whom are **not aware of or lack the knowledge** on the fundamental assessment of **ESG related risks and opportunities**.

80 participants had **over 90 different priorities** for the built environment.



Source: AccountAbility Institute, 2010

This should be aligned and priorities must be acknowledge through a rigorous materiality assessment - Serving as a foundation for sustainable practices moving forward.

Critical Success Factors

ACTIVITY

OPEN DISCUSSION & POSTER AT EACH TABLE



EXTERNAL

Occupant Health and Wellbeing



Materiality



INTERNAL



Resilience



Organizational Structure



Data Collection & Analytics

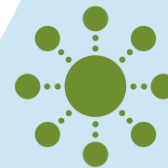


Goal-Setting



Spending

Stakeholder Engagement



Collaboration



Standards, Ratings, & Frameworks



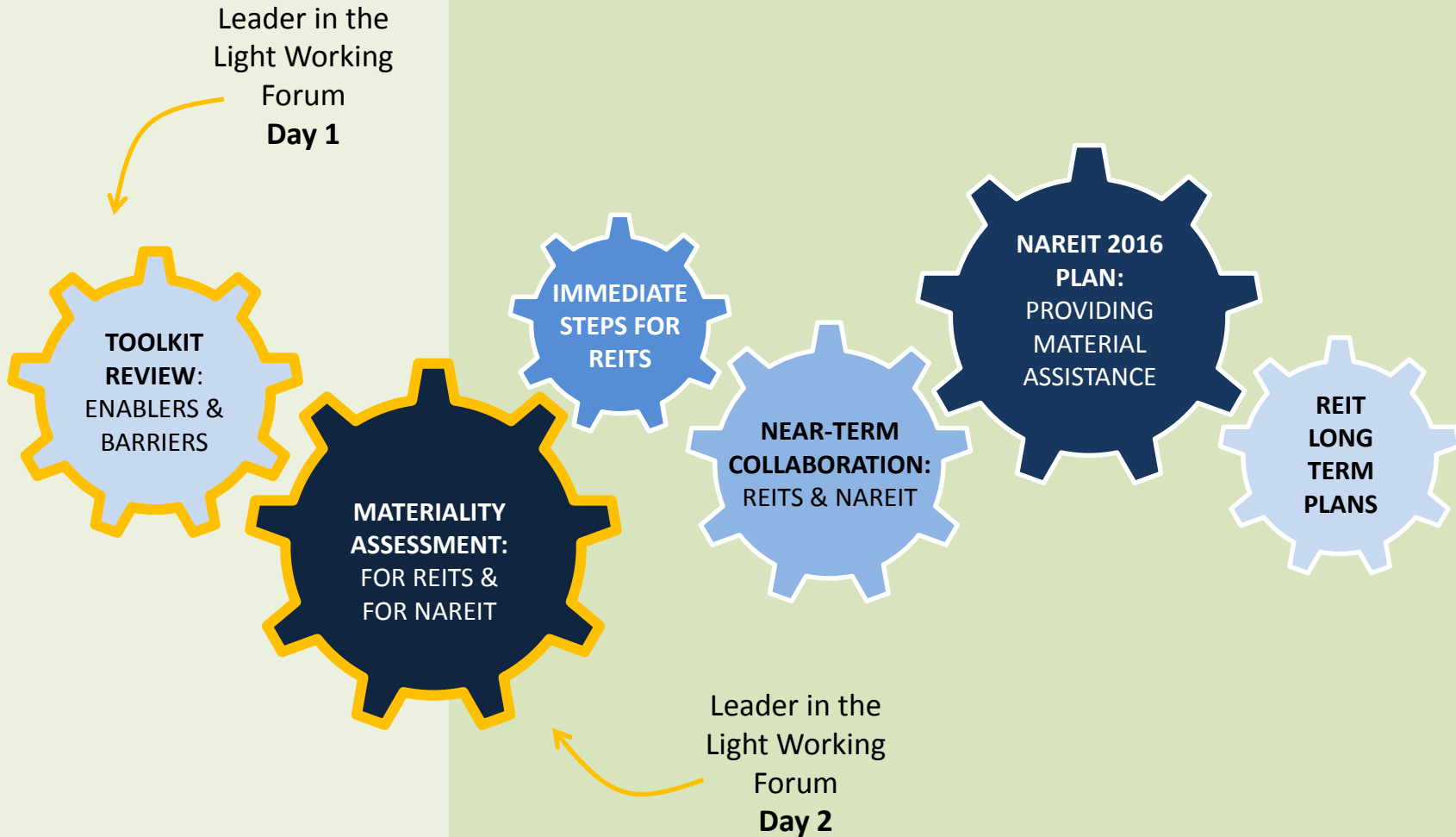
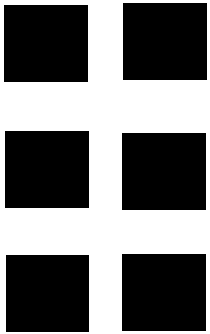
Methodology – 2016

EMPOWER

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Source: AccountAbility Institute, 2015