

SR INC'S SUSTAINABLE BUSINESS & ENTERPRISE ROUNDTABLE (SBER) 2ND QUARTER NEWS

From the service leader

JAMES BOYLE, PRESIDENT & CEO



Sustainability Strategy: "An Unprecedented Opportunity"

July in Texas is not supposed to be cool or particularly academic, but as Q3 began I was in Dallas at a CoreNet Seminar on Sustainability Strategy. We all enjoyed the cool weather even as we acknowledged the weather and the seminar could both be well understood as symptoms of increasingly dramatic climate change.

In the first half of 2014, the distant threat of climate change came home to living rooms and Board Rooms. James Cameron of Titanic and Terminator fame's 9 part Showtime Series *Years of Living Dangerously* showed in living rooms across the country and Mike Bloomberg and Hank Paulson partnered to a present *The Risky Business Project* to quantify economic costs of climate change to business audiences throughout the U.S. Most important, the EPA proposed its long awaited **Clean Power Plan** to price carbon pollution for the first time in the U.S.

All three developments brought home one point: climate change is not about potential dangers, it is a profound change that is underway and already incurring costs to people, businesses and governments the world over. Global corporations are among the most sophisticated in recognizing the costs and risks are current and growing. Hence, the key question is beginning to change *from* whether a company or government can afford to respond to climate change? *to* how to reduce current and future costs of climate change?

Publicly traded companies, unlike U.S. politicians, are nearly unanimous in their respect for - and concern about - the overwhelming scientific consensus regarding climate change. These firms generally recognize that climate change is already beginning to destabilize commodity prices and undermining supplying chains, and they know concern about climate change among the most attractive, educated customers only grows globally.

Moreover, a commitment to corporate sustainability has grown well beyond consumer products companies and disparate green building or recycling programs at business to business companies. Increasingly, leading B2B companies are developing and driving "Sustainability Strategies" throughout their own global operations to reduce risks and explore new markets as they align with top talent, customers, investors, and regulators.

Consequently, it was no great surprise to see relevant leaders from two great SR Inc Member-Clients Oracle and Nokia, lead in teaching in Dallas. They recognized that corporate **"sustainability presents an unprecedented opportunity for corporate real estate executives"** and that developing a "Sustainability Strategy" that can be better recognized and resourced by the C-Suite was the best way to seize it.

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2014 Select Planned Events

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| Jan 16, 2014
11am PT/
2pm ET | ELC Charter Member Meeting
Charter Members discussed and ratified the <i>ELC Agenda</i> . |
| Jan 30, 2014
11am PT/
2pm ET | RLC Charter Member Meeting
Charter Members discussed and ratified the <i>RLC Agenda</i> . |
| Mar 20, 2014
12-2pm ET | Q1 Executive Symposium EC
SBER Member-Clients met at AEW's offices in Boston, MA. |
| Mar 27, 2014
9-11am PT | Q1 Executive Symposium WC
SBER Member-Clients met at Salesforce's offices in San Francisco, CA. |
| June 12, 2014
12-2pm ET | Q2 Executive Symposium EC
SBER Member-Clients met at The Tower Companies' offices in Washington, D.C. |
| June 19, 2014
12-2pm CT | Q2 Executive Symposium MW
SBER Member-Clients met at the Willis Tower in Chicago, IL. |
| Sep 18, 2014
12-2pm ET | Q3 Executive Symposium EC
SBER Member-Clients meet in New York, NY at MetLife's offices. |
| Sep 25, 2014
12-2pm PT | Q3 Executive Symposium WC
SBER Member-Clients meet in Belmont, CA at Oracle's offices. |
| Dec. 4, 2014
12-2pm PT | Q4 Executive Symposium
SBER Member-Clients meet in Los Angeles, CA. |

Q2 Executive Symposiums: *Radical Resource Productivity Portfolio-wide*

SR Inc was pleased to host its SBER Q2 Executive Symposia: **Radical Resource Productivity Portfolio-wide** on June 12th in Washington, D.C. at SBER Member-Client **The Tower Companies'** offices, and June 19th in Chicago, IL at The Willis Tower.

Building upon the SBER's 2014 focus on strategic and technical innovation, the discussions reviewed findings, case studies, and management best practices in goal setting for energy demand, energy supply, and materials management. The following are some key takeaways from the discussions:

- In 2014, multiple SBER Member-Clients are setting **more aggressive goals and targets** to reduce resource consumption and Scope 1, 2, and 3 GHG emissions through 2020 and beyond.
- Member-Clients advance through four stages to **a strategy for radical resource efficiency**: cost management, investment planning, comprehensive targets and a roadmap to implementation.



- As they evaluate opportunities for resource efficiency, **energy procurement and risk management** become a critical strategy component. Leaders are adapting goals to integrate renewables and to ensure risk management.
- As most companies successfully adopt policies to implement “low-hanging fruit” for energy demand management portfolio-wide, leaders are looking to strategies for **integrated, intelligent controls and smart buildings**.
- Leading companies are setting aggressive **zero-waste targets at some or all properties**, advancing the materials management strategy through improved data collection and employee engagement.

The materials presented at the Q2 Executive Symposia and a summary of the discussions are available in SR Inc's Member-only Digital Library. If you do not have a username and password, you may [request an account](#). To download a copy of the presentations and notes on **Radical Resource Productivity Portfolio-Wide**, click [here](#).

Member Executive Comments



Roger van Overbeek,
Director of Corporate RE
at Autodesk, on SR Inc
Management Best Practices
Research & Tools

“SR Inc’s content was excellent because it was not just a high level overview, but meaningful enough that I can use it for implementation and refinement. The information I obtained in one day and on the thumb drive was equal to months of consulting provided by one of our vendors, and the SR Inc materials are more meaningful. I cannot say enough good about the content.”



Deidre Buzzetto,
Director, International Real
Estate at Lenovo, on
experience with SR Inc

“SR Inc was critical in us bringing forward to our senior executive team how important it is to input sustainability into our overall strategy... Having SR Inc with us pushing us forward and pushing us in the right direction is what we needed. Our sustainability council has gotten the data they need and all the right metrics. Getting the research has been invaluable. We’re gaining the knowledge [SR Inc is] getting from others. That shared resource has been really important.”



Brad A. Molotsky,
EVP & General Counsel at
Brandywine Realty Trust, on
experience with SR Inc

“SR Inc was one of the early stops we made. The ability to have a third party-neutral kind of ‘referee’ at all the noise that’s out there was very relevant, very meaningful. The ability to connect with people who are sprinting, crawling, and all in between on various aspects is what [SR Inc] is able to bring to the table in a cogent, cohesive fashion. To me nothing is ever worth the price of admission, but that’s worth the price of admission.”

Member Executive Highlight: James Grey-Donald, Bentall Kennedy



James Grey-Donald serves as **Vice President, Sustainability** at Bentall Kennedy. He helps develop and execute a North American framework for the integration of social and environmental considerations with long term decision making across the organization. This includes topics such as LEED certification, tenant engagement, energy efficiency campaigns, renewable energy, fair labour practices and community

engagement. James is one of the conduits of sustainability thought leadership from other sectors such that the existing culture of responsible property investment within Bentall Kennedy continues to innovate and lead.

James brings a global perspective to the area of sustainability. He has worked in the Philippines at the International Rice Research Institute, conducted his master's research on solid waste management in Vietnam, and completed his doctoral research in the inner city of Lima, Peru. He was the Research Coordinator at the Centre for Sustainable Futures (University of Plymouth, U.K.) from 2005-2007 where he provided guidance and project management to 25+ professors and operations staff. Most recently he crafted and executed on a sustainability strategy as the Associate Vice President and Sustainability Leader of Sears Canada where, from 2008 to 2012, he was instrumental in increasing sales of eco-products by \$260MM (a compounded annual growth rate >30%) and reducing electricity consumption per square foot by 21.3%.

Select New Q2 2014 Charter Member-Client:

Bloomberg **Bloomberg, L.P.**, founded in 1982, is a privately held company providing financial software tools such as an analytics and equity trading platform, data services, news and media to financial companies and organizations through the Bloomberg terminal, a wire service, global television network, radio station, websites, subscription-only newsletters and two magazines.

Headquartered in New York City, Bloomberg serves over 310,000 professionals globally with over 15,000 employees in 192 locations and 4.5 million square feet of office space. With 7 Gold and 7 Platinum LEED-certified projects completed already, Bloomberg aims to have 50% of these employees working in LEED certified space by 2017. The company has also committed to any new office space with more than 100 employees seeking LEED Gold certification or higher.

Bloomberg started integrating sustainability data into its analytics in 2008, and now boasts 55% landfill waste reduction since 2007; a 50% carbon footprint reduction two years ahead of schedule; over 7,451 customers using Bloomberg's ESG data (increasing 48% annually since 2009); over 31,796 employee volunteer hours for Company-sponsored community engagements; and over \$200,000 in savings annually from clean energy production and solar efforts.

SELECT CHARTER MEMBERS OF THE SBER INCLUDE:

AEW Capital Management
Apollo Group
Bentall Kennedy
Bloomberg
Brandywine Realty Trust
Capital One
Cisco
City National Bank
Clarion Partners
Discover Financial Services
Electronic Arts
EMC Corporation
Genentech
Grainger
IBM
Interpublic Group
Intuit
Kaiser Permanente
Lenovo
LinkedIn
McKesson
MetLife
National Grid
National Institutes of Health
NetApp
Nokia Siemens
Oracle
Pearson
PG&E
Putnam Investments
REIT Investment Management
Salesforce.com
SAP
T. Rowe Price
Teradyne
The Tower Companies
Toyota
U.S. GSA
USAA Real Estate Company
Verizon Wireless
WellPoint
Xerox

Select New Q2 2014 Charter Member-Client:



Reit Management & Research (RMR) is a private company that primarily manages publicly traded companies. Since its founding in 1986, RMR has grown from managing one public company with less than \$100 million in assets to eight public companies with approximately \$23.0 billion in assets as of

December 31, 2013. RMR oversees a large portfolio of publicly owned real estate, including approximately 1,200 properties throughout North America and Australia. In combination, the companies managed by RMR generated approximately \$13 billion in annual revenues and employed over 50,000 people as of December 31, 2013. RMR directly employs approximately 850 professionals in its headquarters in Newton, MA and in over 20 regional offices.

RMR recognizes the positive impacts that sustainable design and operations of the built environment have on managed assets and the occupants of these commercial properties. RMR is committed to improving the sustainable level of its assets, enhancing the human work environment and reducing its influence on the planet. RMR is committed to improving the performance and indoor environment of its managed portfolios through energy management and sustainable operations strategies.

Select New Q2 2014 Charter Member-Client:



WellPoint, Inc. formed in 2004 when WellPoint Health Networks Inc. and Anthem, Inc. merged to become the nation's leading health benefits company. Through its networks nationwide, the company delivers a number of leading health benefit solutions through a broad portfolio of integrated health care plans and related services, along with a wide range of specialty products such as life and disability insurance benefits, dental, vision, behavioral health benefit services, long term care insurance and flexible spending accounts.

Headquartered in Indianapolis, WellPoint, Inc. is an independent licensee of the Blue Cross Blue Shield Association serving members in California, Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri, Nevada, New Hampshire, New York, Ohio, Virginia and Wisconsin; as well as specialty plan members through UniCare.

WellPoint focuses its sustainability efforts on energy conservation, waste minimization, recycling, and community engagement and wellness. The company has set specific goals to lower its energy consumption by 10%, to reduce its total volume of waste generated by 15%, to expand its recycling programs to recycle 60% of waste, and to engage with its communities in ways that make a difference in people's lives and support the pursuit of healthier lifestyles.

SBER PREMIER THOUGHT LEADERS



AtSite is a privately held company guiding clients and partners from its Washington, DC headquarters. Founded in 1993, AtSite provides innovative building performance management solutions that help organizations maximize the strategic value and performance of their facilities and real estate. AtSite's proven Building Performance Platform, supported by a unique understanding of buildings, enables senior leaders and building teams to contain costs, increase visibility and leverage existing investments and resources. During its 20+ years in business, AtSite has received numerous awards and recognition for the Firm and its Clients.



Covanta Energy is an internationally recognized owner and operator of Energy-from-Waste (EfW) and renewable energy projects that has provided reliable and sustainable municipal solid waste (MSW) management to communities since 1986. It operates over 40 state-of-the-art facilities that convert everyday trash into clean, renewable energy for communities around the world. Covanta provides sustainable solutions to energy and environmental problems and its corporate culture is increasingly focused on sustainability themes. Through its "Clean World Initiative", Covanta commits to achieving and maintaining an environmental, health and safety performance that ranks among the best in the energy-from-waste industry and to contributing to the communities in which it operates.

SIEMENS SR Inc is pleased to work with **Siemens Industry, Inc. (SII)**, Building Technologies (BT) Division to create original co-branded SBER Executive Guidance. A leading provider of energy and environmental solutions, building controls, electrical distribution equipment, fire safety and security systems solutions, BT's solutions enable America's buildings to be more comfortable, secure and environmentally friendly as well as less costly to operate. With its U.S. headquarters in Buffalo Grove, IL, BT employs 9,000 people and provides a full range of services and solutions from over 100 locations.

Select Recent SBER Executive Guidance



The SBER-ELC Member-Briefing: **Materials Management for Workplace Sustainability** builds on existing SR Inc guidance on recycling, waste diversion, and procurement of more sustainable products to support executives seeking to reduce waste and environmental impacts in operations. Companies generally target interventions in the materials value chain in two key lifecycle phases: 1) Product Design & Procurement, and 2) Waste Management. This briefing provides case studies, key strategies, and recommendations for executives who aim to prioritize specific elements of the value chain and optimize operations via the materials lifecycle.



The SBER-RLC Member Advisory: **Advanced Off-site Renewable Energy Procurement** provides guidance on four leading types of strategies: direct access agreements, community solar programs, virtual PPAs, and individualized utility agreements. Leading companies struggle to procure renewable energy that meets their corporate goals while

working with limited internal time and capital. Although standard procurement strategies such as REC acquisition and PPAs overcome some of these limitations, they don't always reflect optimal levels of cost, additionality or direct control to meet corporate goals and requirements.



The SBER-ELC Briefing: **Server Rack Packaging Materials** presents a comprehensive assessment of common materials used in server rack packaging, as well as key recommendations to reduce environmental impacts from this packaging. SR Inc worked with a team of third party subject matter experts to review existing research and

conduct a comprehensive analysis of the impacts of eight common materials. This analysis included systematic consideration of sourcing issues, embodied energy and carbon emissions, human health, end of life management options, and other relevant issues. In addition, the Briefing includes key recommendations for resource optimization, a restricted substances red list, and an implementation prioritization chart.



The SBER-ELC Member Briefing: **Lighting Technologies for Real Estate Sustainability** focuses on existing and emerging lighting technologies, key drivers behind the adoption of advanced lighting systems, and trends among key players in the lighting and LED markets. It will help real estate portfolio managers, facility operators, and energy efficiency professionals make informed decisions about how to best leverage a rapidly changing lighting market for improving real estate sustainability.



The SBER-RLC Member Briefing: **International Renewable Energy Markets** is in response to requests from multiple Member-Clients for analysis on policy, market size, growth potential and leading investment strategies for renewable energy in key international markets. The briefing provides executive guidance to support and guide large-scale and small-scale investments in renewable energy in Australia, Argentina, Brazil, China, India, Japan and South Africa. Each profile gives an analysis of the market structure and method of renewable energy procurement by private companies, followed by a stepwise process for implementation. Case studies also provide actionable guidance for overcoming barriers to implementation and maximizing success.



The SBER-RLC Member Advisory: **Variable Refrigerant Flow (VRF) and Variable Refrigerant Volume (VRV) Technologies** serves to inform leaders about the potential advantages of VRF/VRV technologies, providing executive guidance, decision support and implementation strategies drawn from case studies and SBER Member-Client discussions.

As real estate owners and corporate occupiers continue to explore more energy-efficient technologies to ensure thermal comfort for building occupants, closed-loop HVAC systems like VRF/VRV systems offer promise. VRF/VRV technologies are popular in parts of Europe and East Asia and continue to gain presence in the U.S.



The SBER-ELC Member Advisory: **Making the Business Case for Rechargeable Batteries** highlights six factors that influence the cost and payback of switching to rechargeable batteries. Leading companies recognize that rechargeable batteries offer a commonly-overlooked opportunity for operational savings, dramatically reducing costs and material waste over the long

term by significantly reducing battery replacement needs. The advisory provides a case study on Member-Client Electronic Arts' (EA) switch to rechargeable batteries at one major campus. The advisory complements the Rechargeable Batteries Payback Analysis Tool (XLS), which may be used to demonstrate the ROI for rechargeable AA and AAA batteries.



The SBER-ELC Member Briefing: **Site Selection for Data Centers** aids executives as they work with IT, real estate, property acquisition, and sustainability teams to prioritize criteria in the site selection process. The briefing covers criteria both for directly-owned, single-company data centers and for co-location facilities. It also includes the Data Center Site Selection Checklist (XLS), a customizable tool to enable executives to weight and evaluate such criteria.