



cutting through complexity

Introducing True Value Methodology

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8 July 2015





Introducing True Value

Local Case Study – Link Reit

International Case Study – NS Railways

Conclusion



Introducing True Value

Local Case Study – Link Reit

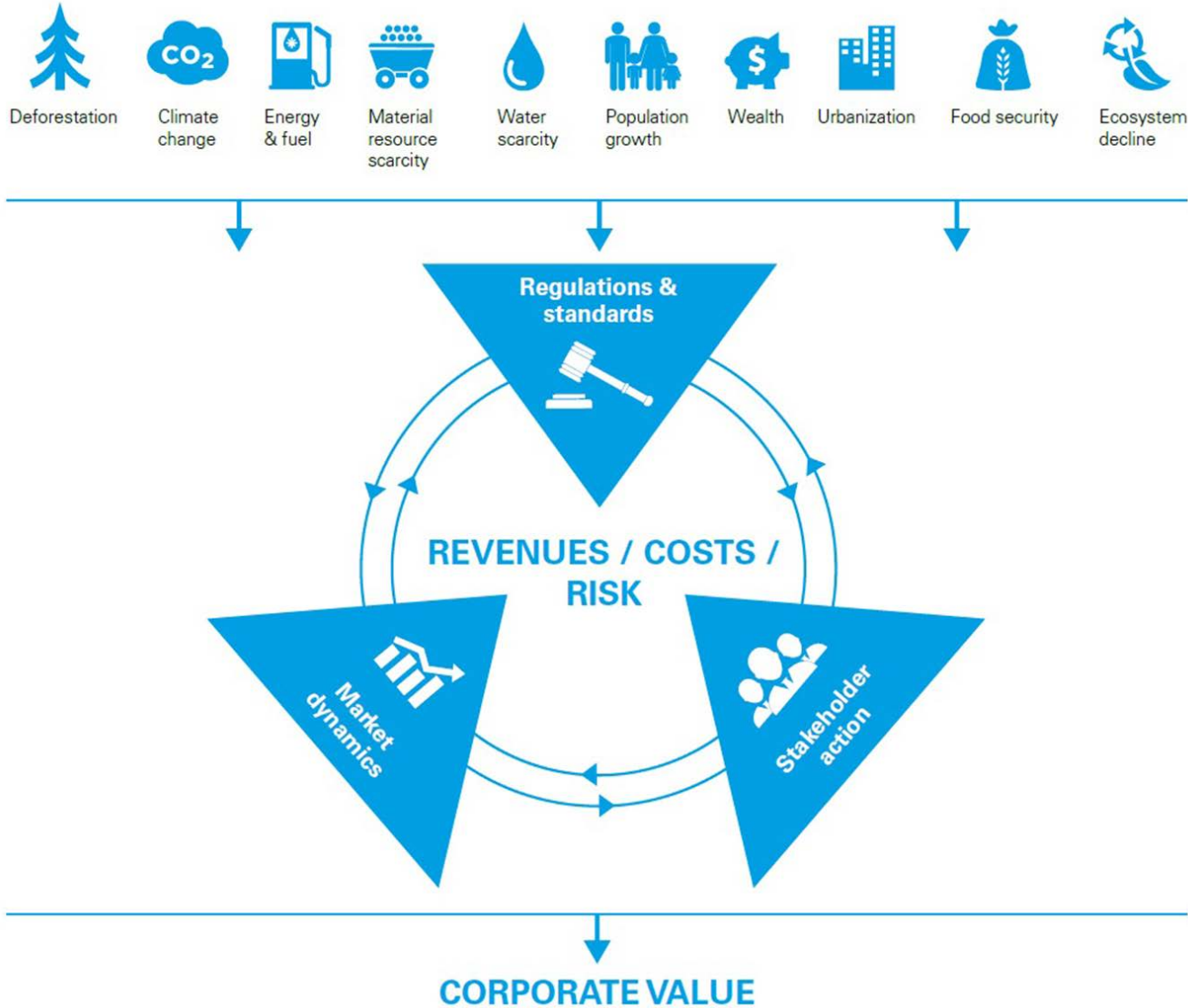
International Case Study – NS Railways

Conclusion

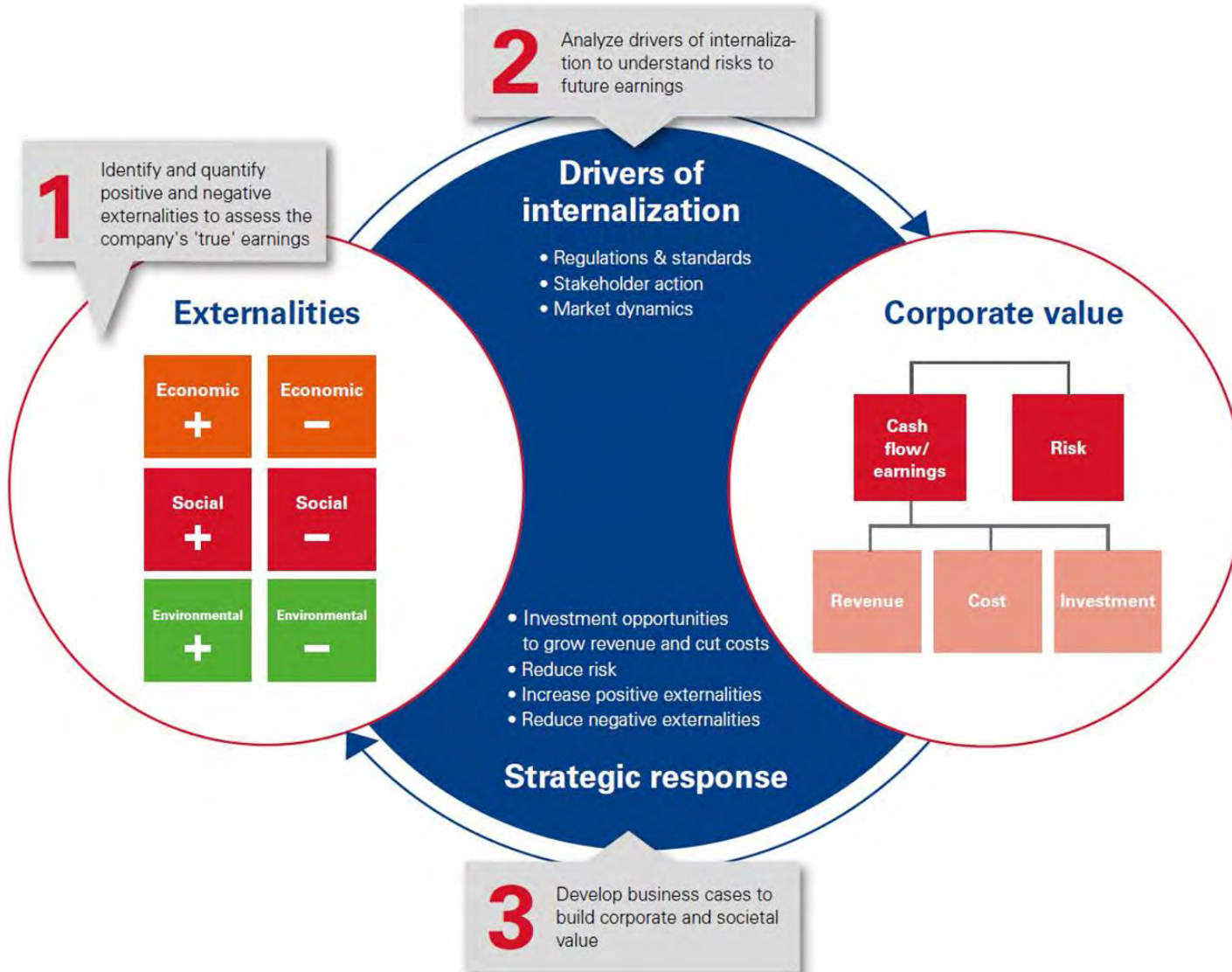
KPMG True Value Video



Three drivers of internalization



KPMG's three step True Value methodology



A generic 'true' earning bridge



EARNINGS



ECONOMIC



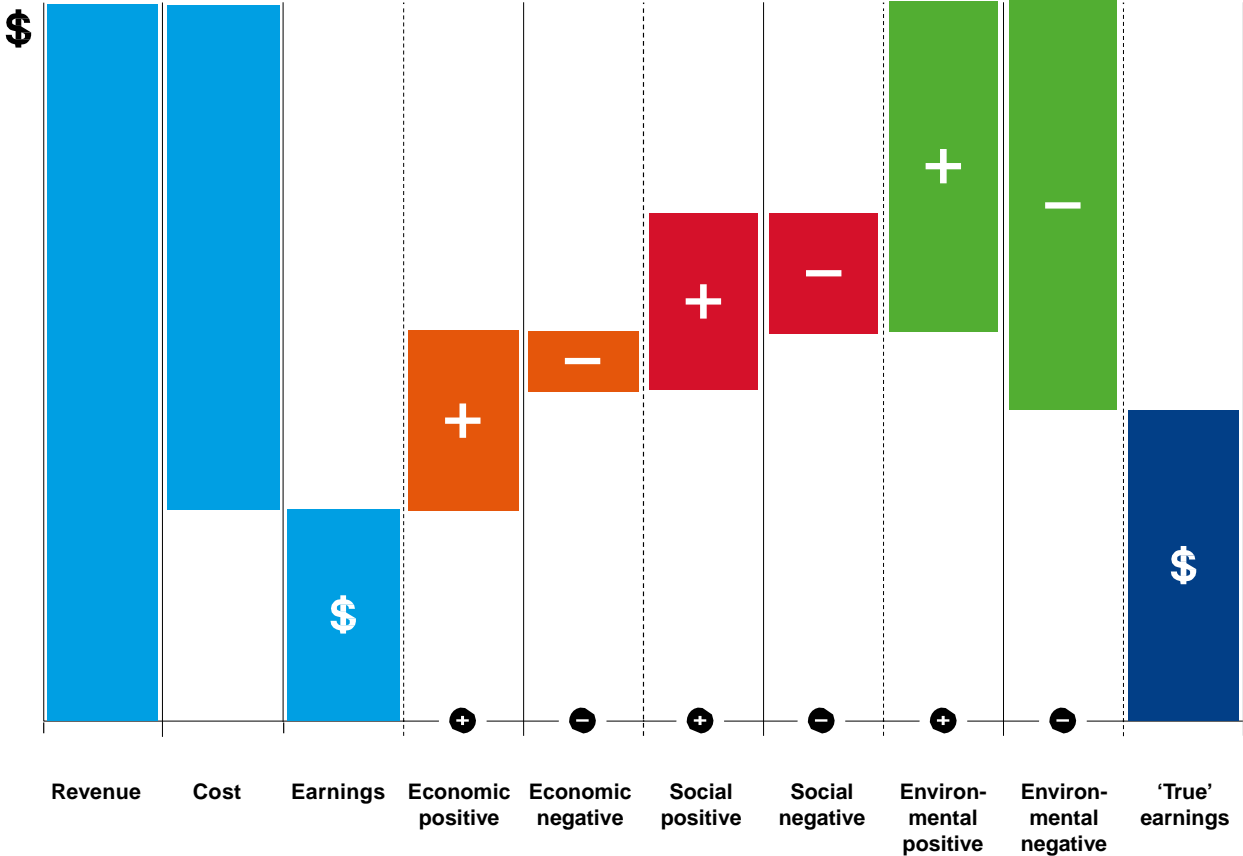
SOCIAL



ENVIRONMENTAL



'TRUE'
EARNINGS





Introducing True Value

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Annual Report 2014/2015
Strategic Report

Expanding horizons,
exploring new
opportunities



領匯
The Link

The Link Real Estate
Investment Trust
Stock code: 823



Lok Fu Plaza interior after asset enhancement

OTHER FINDINGS INCLUDE:

Lok Fu Plaza	Lok Fu Market
+29%	+23%
INDUCED SHOPPERS	
+50%	+50%
TOTAL SPENDING	
+10%	+14%
DURATION OF STAY	

**QUANTIFYING OUR VALUE CREATION:
BEYOND OUR FINANCIAL STATEMENTS**

As an extension of the living room, we also have an impact on uplifting the standard and quality of life for those around us. Some of the long-term community benefits our enhancement works offer include: creating new jobs during and after enhancement works, providing shoppers with more retail choice and improving accessibility. Quantifying these socio-economic contributions of our shopping centres is just as important as measuring financial performance. Only by taking into account both of these measurements can we demonstrate the overall effectiveness of our business.

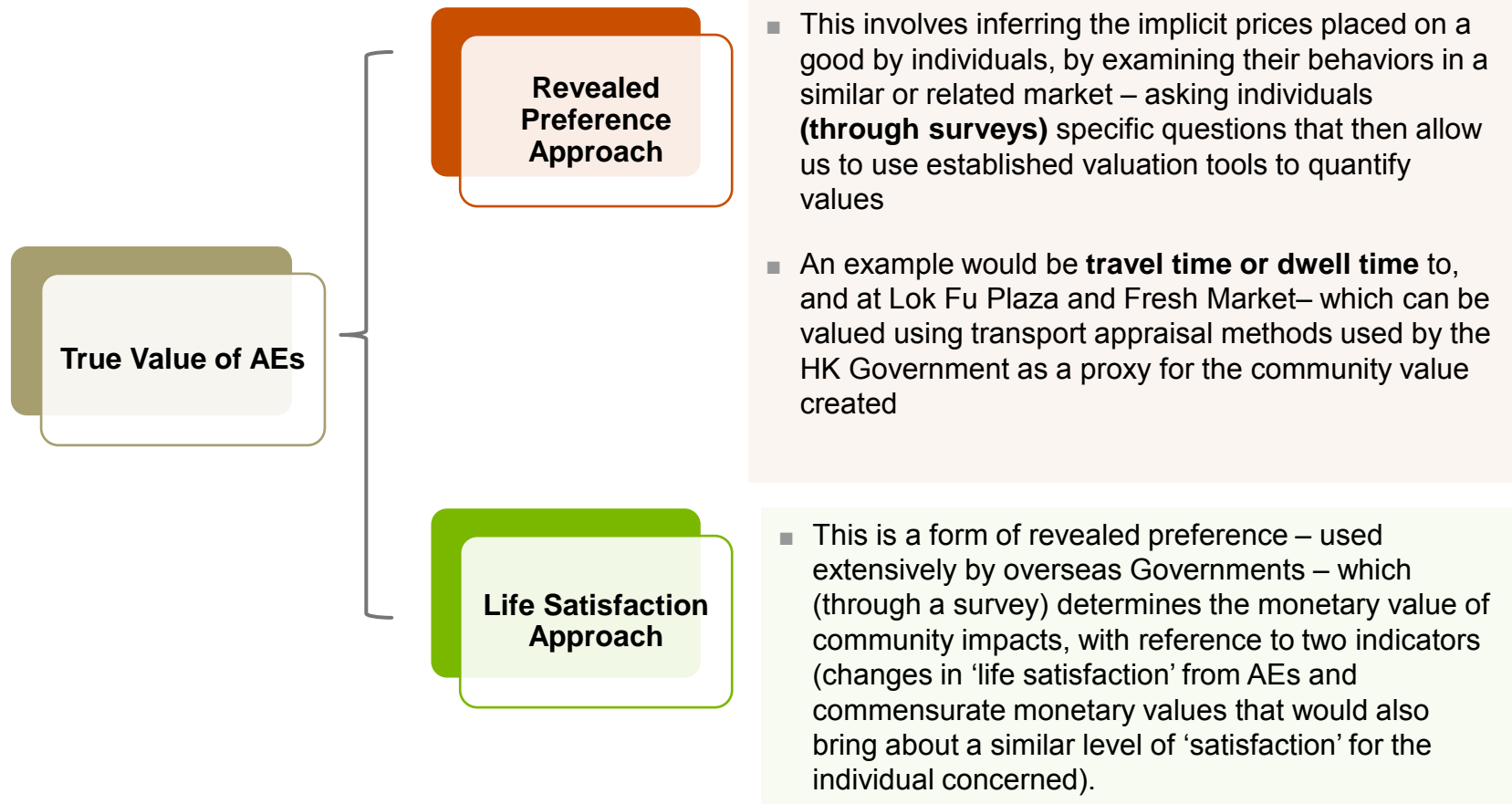
We commissioned KPMG Hong Kong to conduct a socio-economic impact assessment of our operations at Lok Fu based on KPMG's True Value methodology. The study considered economic value generated by our shopping centre, benefits to local government, economic impact on the community and perceived changes in community quality of life. The study found that every HK\$1.00 we invested in Lok Fu Plaza and Market, generates between HK\$2.10-\$4.10 and HK\$1.80-\$6.70 in annual socio-economic benefits, respectively.

A survey of shoppers and residents revealed that after asset enhancement:

- Lok Fu catered to an expanded catchment area
- Nearby residents have a strong social dependence on the property, which now provides better public areas enabling social networking and community development
- Induced shoppers are from a younger demographic
- Shoppers are staying longer and spending more

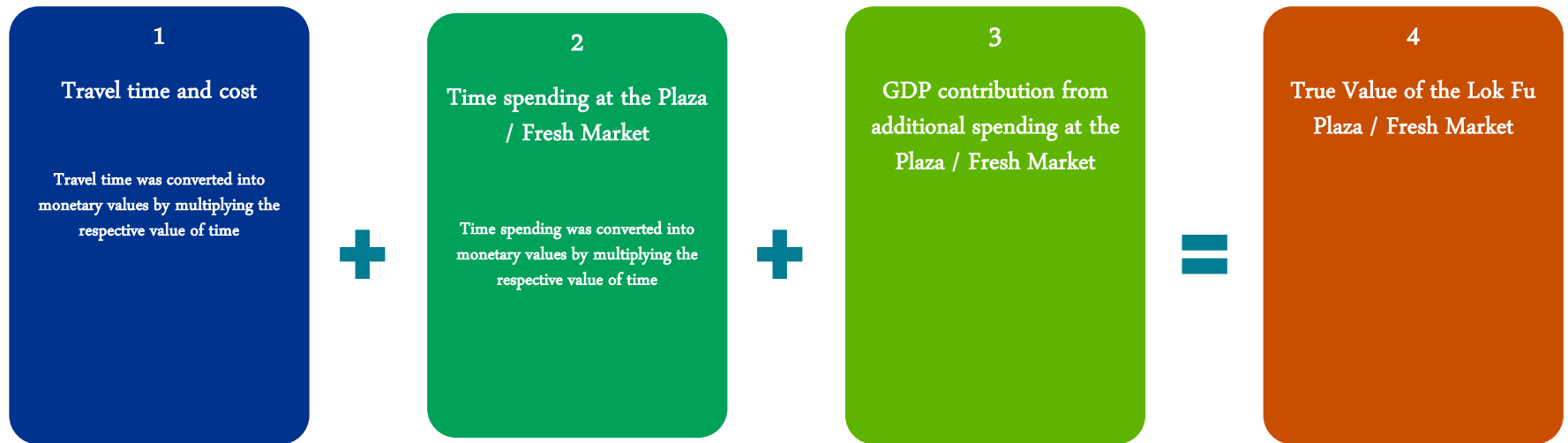
The outcome of this initial study enable us to measure and understand the overall contribution of our shopping centres and allow us to identify priority areas for improvement in future asset enhancements. By quantifying our socio-economic impacts at Lok Fu we are establishing a platform to ensure that the communities we operate in increasingly benefit from our business operations. As a business that is committed to improving the lives of those around us, we will continue to develop this platform to demonstrate that The Link is a financially and socially responsible investment.

Our assessment methodology



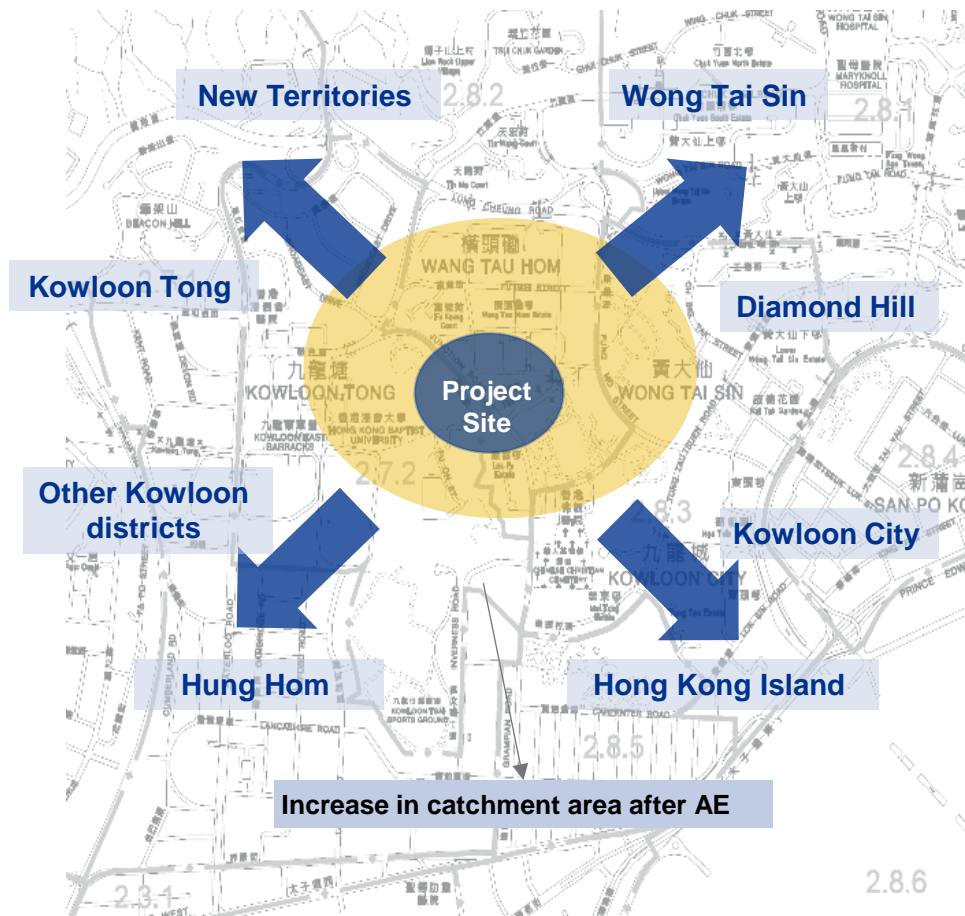
Revealed Preference Approach

True Value of the Plaza / Fresh Market



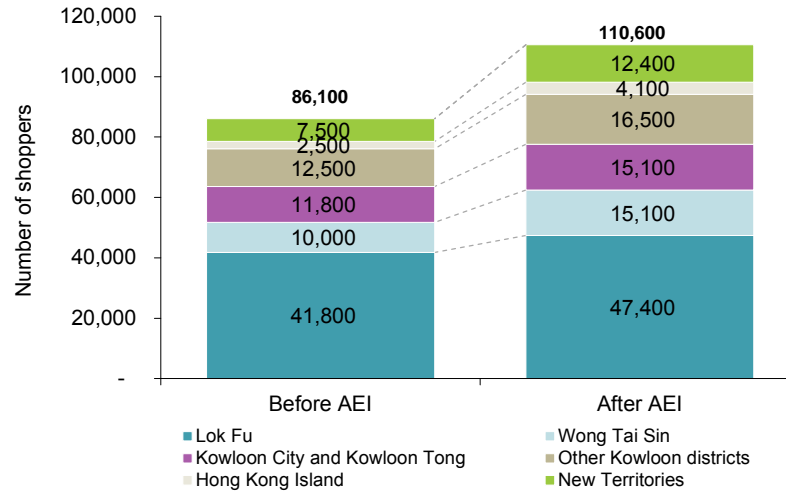
Findings: Catchment area increased

Catchment area of survey



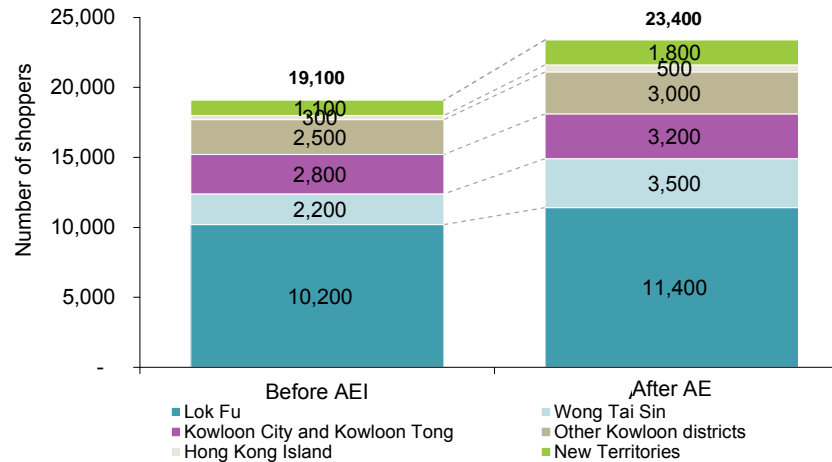
Findings: Number of footfall increased

Number of shopping trips by districts, Lok Fu Plaza



↑ No. of induced shopping trips + 29%

Number of shopping trips by districts, Lok Fu Fresh Market



↑ No. of induced shopping trips + 23%

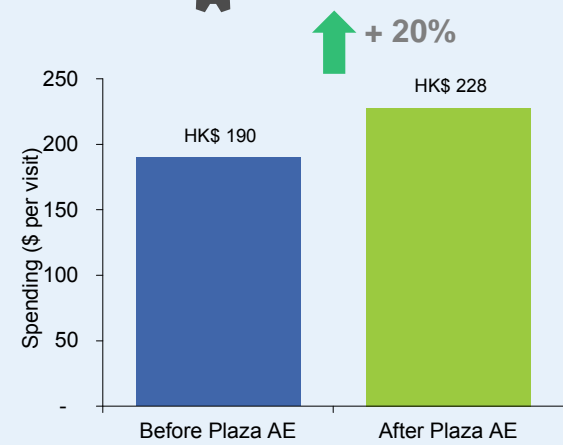
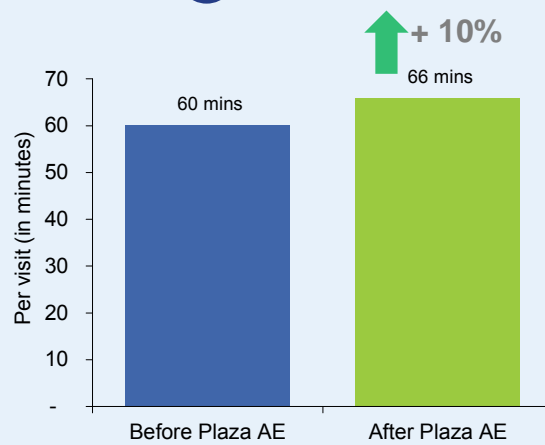
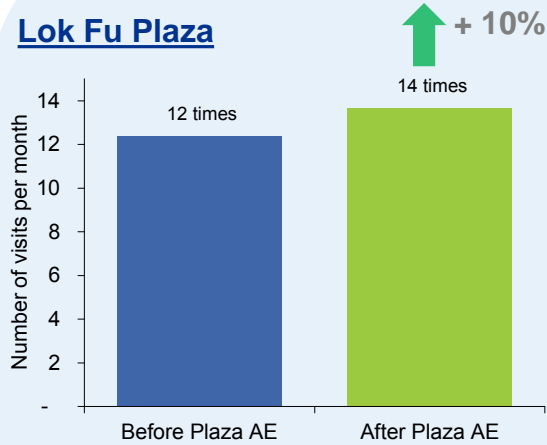
Findings: Visit behaviours improved

Visiting Frequency

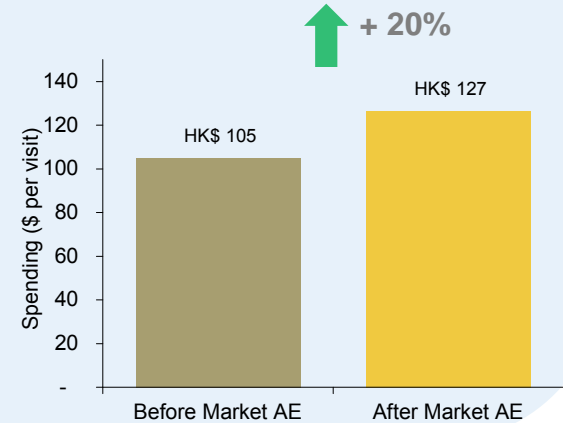
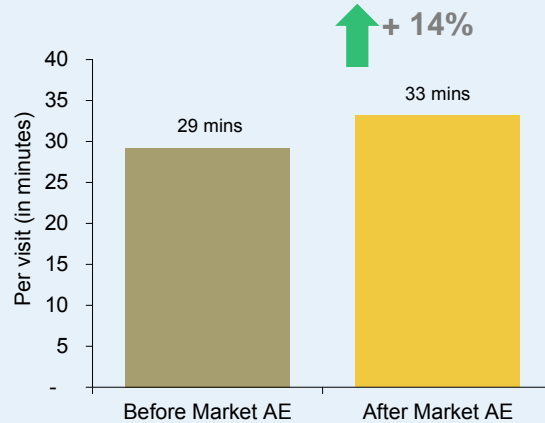
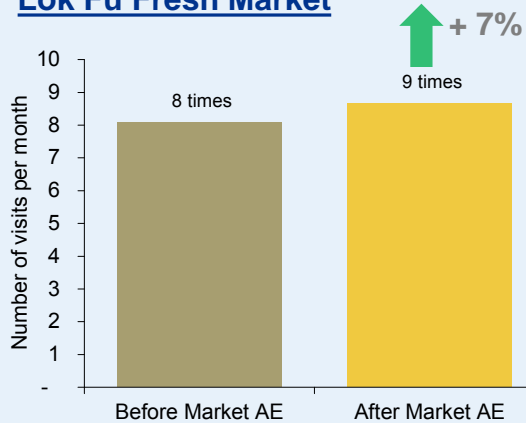
Duration of stay

Spending

Lok Fu Plaza

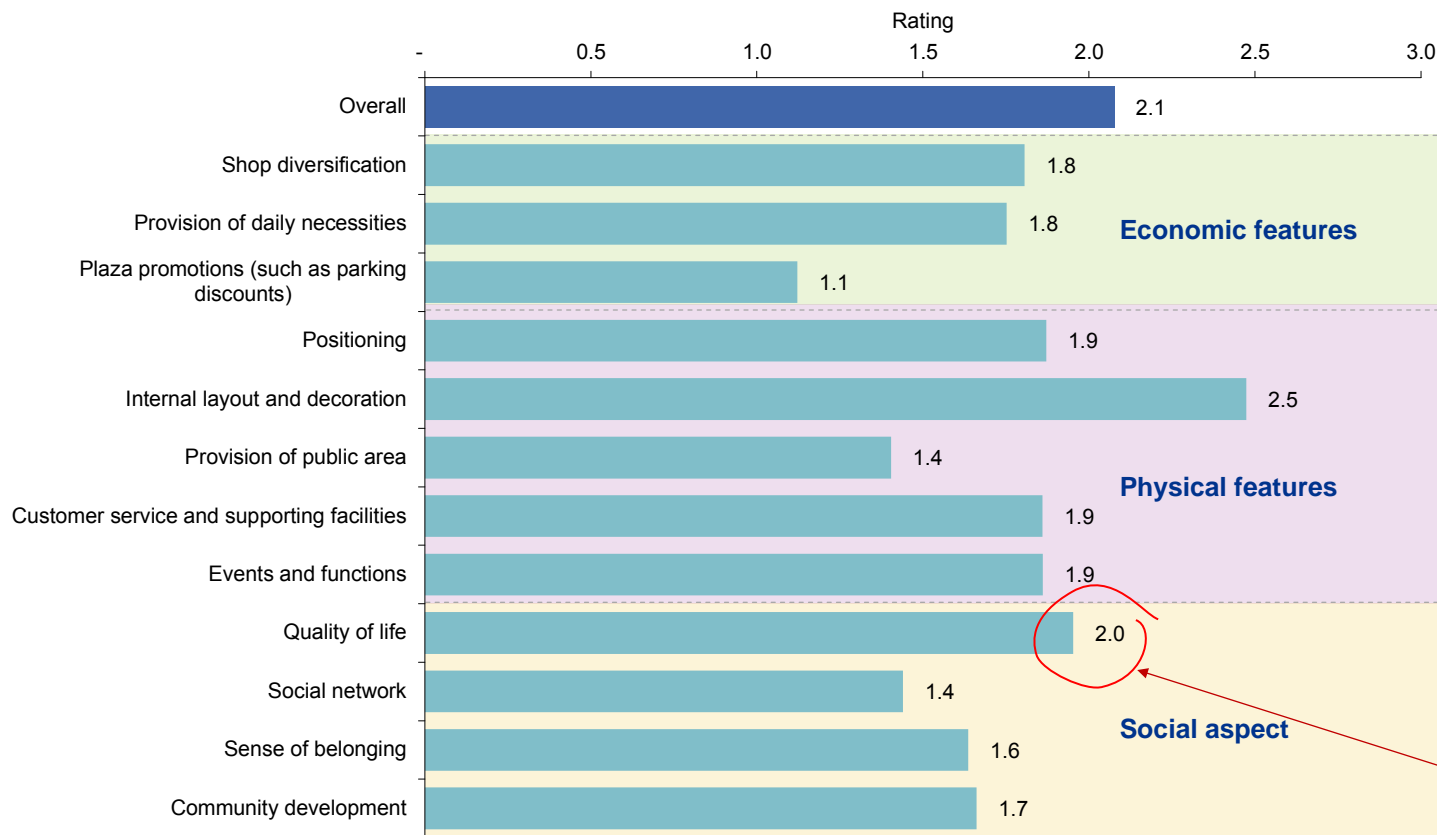


Lok Fu Fresh Market



Life satisfaction: Lok Fu Plaza after AE

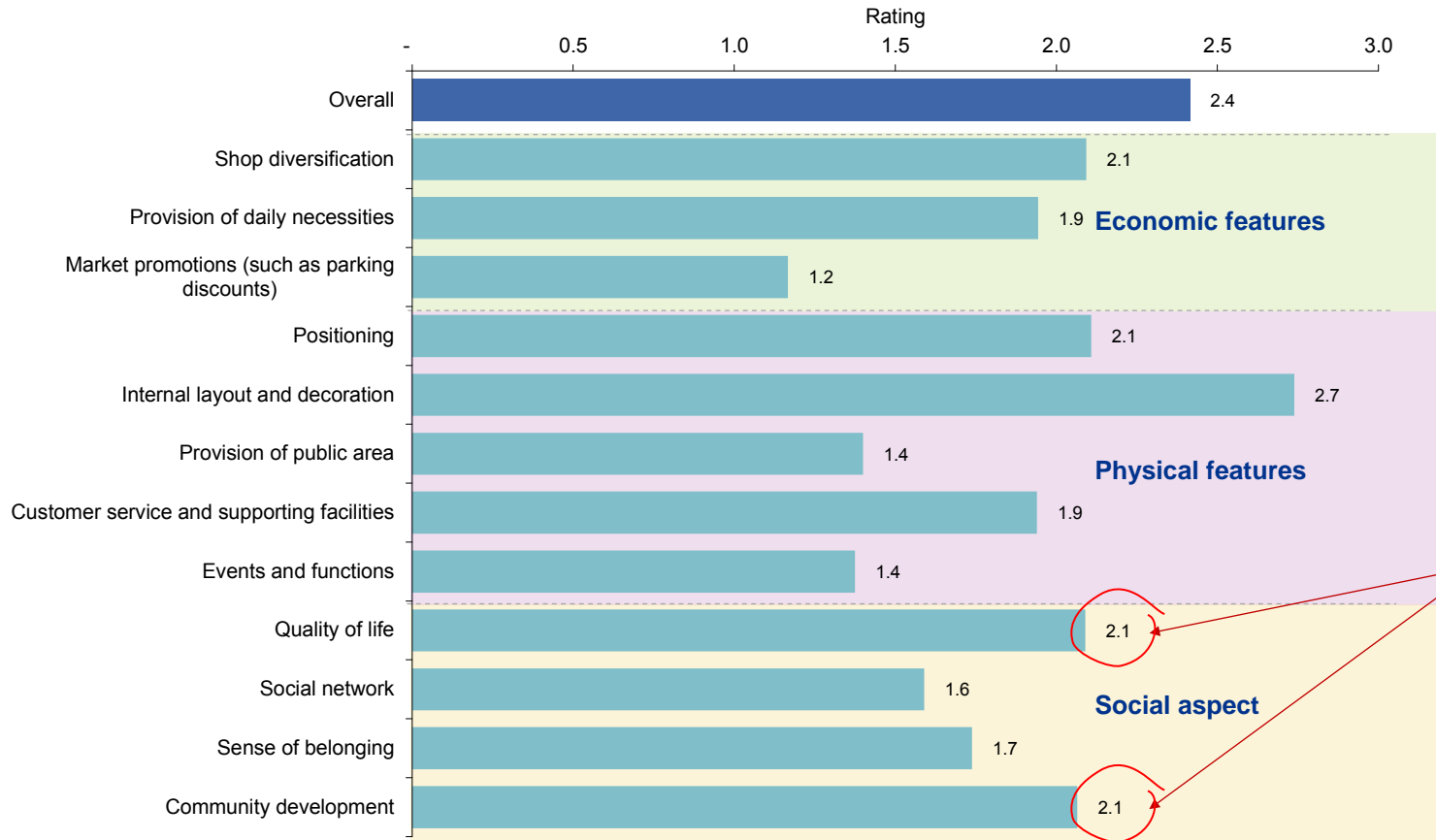
Satisfaction rating and ranking of Lok Fu Plaza



Quality of life was generally perceived as one of the most appreciative element of the Lok Fu Plaza AE

Life satisfaction: Lok Fu Fresh Market after AE

Satisfaction rating and ranking of Lok Fu Fresh Market



For Lok Fu Fresh Market, several social elements are highly regarded as a result of the AE:

- **Quality of life**
- **Community development**

Identifying the correct footfall

Percentage of total shoppers	Lok Fu Plaza Revenue (HK\$ 000s) generated per sq m	Lok Fu Fresh Market Revenue (HK\$ 000s) generated per sq m
100%	255	560
90%	230	504
80%	204	448
70%	179	392
60%	153	336
50%	128	280
40%	102	224
30%	77	168
20%	51	112
10%	26	56

HK\$ million (Annual)	Revealed preference approach (2014 prices) ⁽¹⁾	Life Satisfaction Approach (2014 prices)
Lok Fu Plaza	182	353
Lok Fu Fresh Market	24	91

True Value by the number of footfall

Lok Fu Plaza

Percentage of total shoppers	Actual number of shoppers	Revealed preference approach (HK\$ million)	Life Satisfaction Approach (HK\$ million)
100%	110,600	911	1,763
90%	99,540	820	1,586
80%	88,480	728	1,410
70%	77,420	637	1,234
60%	66,360	546	1,058
50%	55,300	455	881
40%	44,240	364	705
30%	33,180	273	529
20%	22,120	182	353
10%	11,060	91	176

Lok Fu Fresh Market

Percentage of total shoppers	Actual number of shoppers	Revealed preference approach (HK\$ million)	Life Satisfaction Approach (HK\$ million)
100%	23,500	120	456
90%	21,150	108	410
80%	18,800	96	365
70%	16,450	84	319
60%	14,100	72	273
50%	11,750	60	228
40%	9,400	48	182
30%	7,050	36	137
20%	4,700	24	91
10%	2,350	12	46

Highlights of Survey findings

- Every \$1 spent by the Link REIT on Plaza and Fresh Market supports a further \$2.10 – 4.10 and HK\$ 1.80 – 6.70 socio-economic benefits in the Hong Kong community respectively.
- Induced visitors come from a younger demographics with an expansion in the catchment area after the AEs.
- Residents of the surrounding areas has a strong social dependency on Lok Fu Plaza and Fresh Market, the AEs have significantly improved their quality of life and community development.
- Driven by an increase in the number of visitors as a result of AEs, the economic activities and number of job opportunities in the Lok Fu Plaza and Fresh Market have been considerably increased, which have benefited the community of the surrounding area.
- AEs provide a better public area for social networking and community development.
- Compare to Plaza AE, Fresh Market AE has been more effective in term of generating social benefits such as community development and social networking.



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About NS (Dutch Railways)

About NS



NS Group is the **largest public transport operator in the Netherlands**, employing over 32,000 people and with 2013 revenues of €4.6 billion (US\$5.2 billion). While the bulk of its revenues (85 percent) come from passenger transport, the group's subsidiary companies also provide maintenance for trains and are responsible for the management and commercial development of more than 400 Dutch railway stations.



NS & KPMG

- In 2013, NS began its journey by quantifying its own environmental impacts.
- In 2014, it engaged KPMG to apply the KPMG True Value approach to calculate the socio-economic value, as well as the environmental value, that the company creates, and reduces, for society.

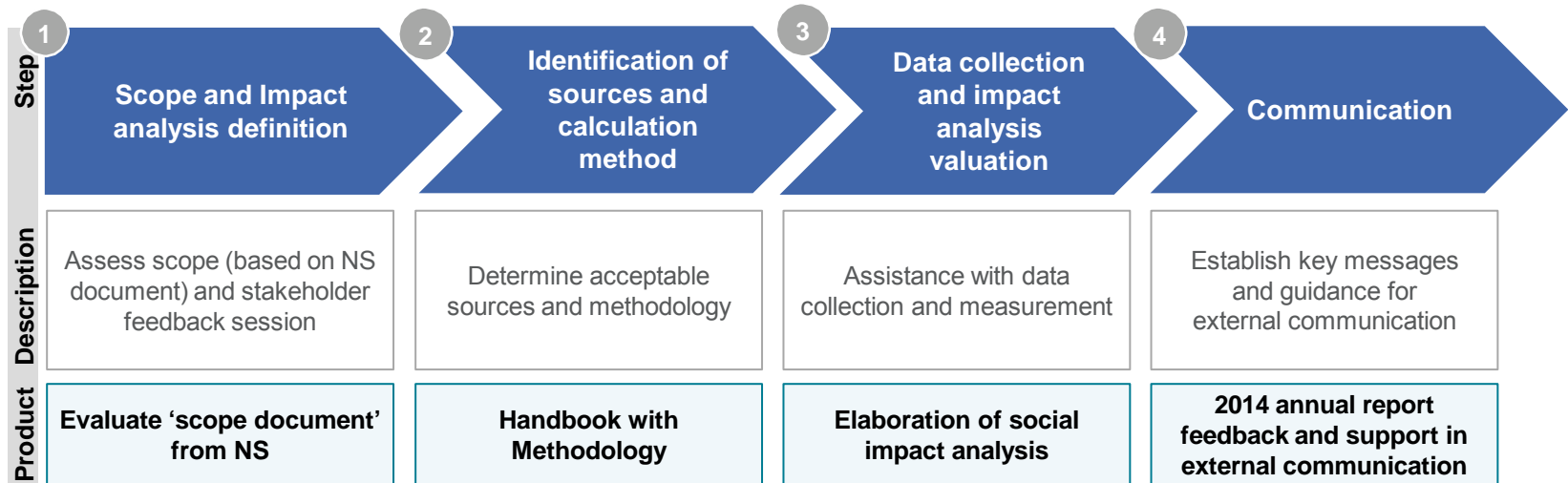
NS is the first railway company to go public with the results of this type of analysis, and hopes to accelerate change in the transport industry through its bold leadership.



"The KPMG True Value project has helped NS engage employees and management on sustainability."

Carola Wijdoogen,
Managing Director, Sustainability, NS

Approach to KPMG True Value at NS



Key indicators identified



SOCIO-ECONOMIC EXTERNALITIES: MOBILITY

Positive (S/E+):

- Mobility, i.e. enabling people to travel for work, study or leisure

Negative (S/E-)

- Passenger time spent travelling on trains and to or from stations
- Time spent waiting at stations and changing trains
- Train delays and crowding



SOCIO-ECONOMIC EXTERNALITIES AND VALUE-ADD: CORPORATE EXPENDITURE, EDUCATION AND TRAINING

Positive (S/E+):

- Contribution to the economy and society through corporate expenditure, e.g. creating jobs by enabling suppliers to employ people
- Employee education and training



SOCIO-ECONOMIC EXTERNALITIES: SAFETY

Positive (S/E+):

- Accidents avoided when travelling by NS trains vs travelling by car

Negative (S/E-):

- Accidents occurring on trains and stations or travelling to/from stations
- Health and safety incidents experienced by employees
- Passenger aggression towards NS staff



ENVIRONMENTAL EXTERNALITIES

Positive (E+)

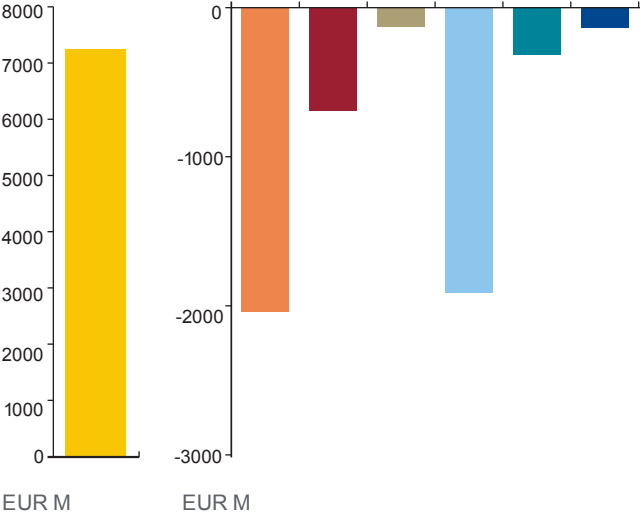
- Emissions avoided vs car travel

Negative (E-)

- Greenhouse gas and other emissions
- Impacts on ecosystems
- Waste incineration
- Water consumption
- Noise pollution

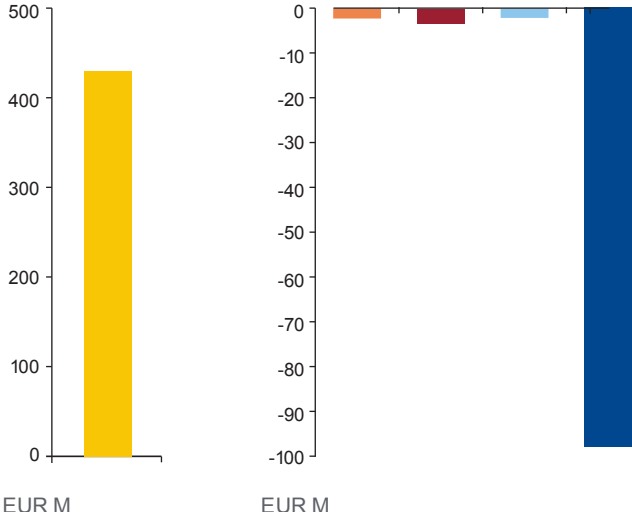
The result

Mobility



- Passenger mobility (value of travel enabled)
- Passenger time: travelling to and from stations
- Passenger time: waiting at stations
- Passenger time: delays
- Passenger time: travelling on trains
- Passenger time: travelling on crowded trains
- Passenger time: changing trains

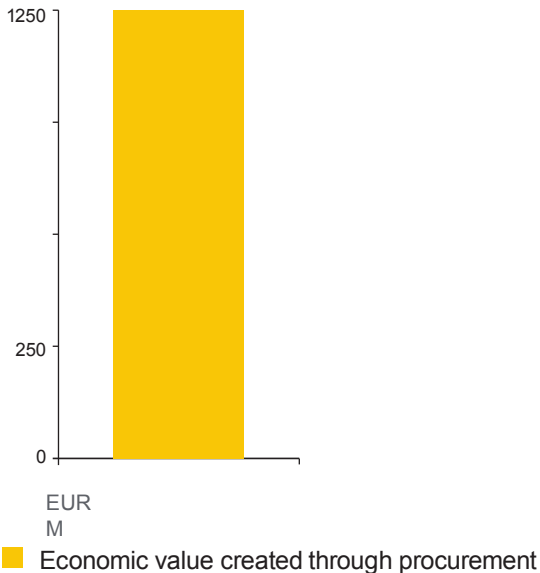
Safety



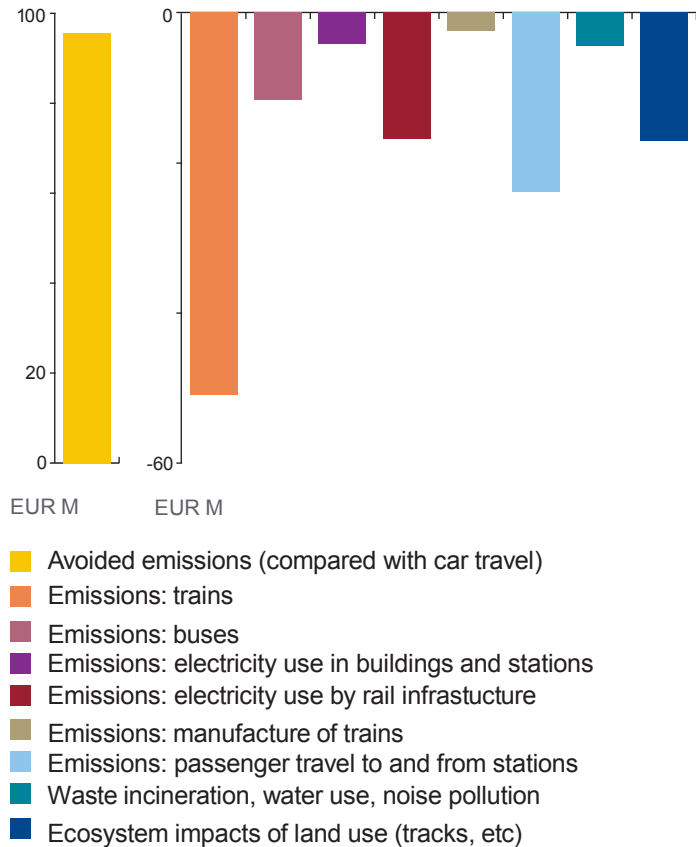
- Avoided accidents (compared with car travel)
- Health & safety incidents (employees)
- Agression to towards NS staff
- Passenger accidents and injuries: during rail travel
- Passenger accidents and injuries: during travel to and from stations

The result

Corporate expenditure, education and training



Environmental value





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Thank you

Presentation by Pat-Nie Woo





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