



Funded by the Horizon 2020
Framework Programme
of the European Union

Real Estate Sustainability Benchmarking

January, 2019

Introduction

Rik Recourt, CAIA
Associate - Real Estate



BlackRock stakes claim on 'sustainable investing' revolution

Fink forecasts such ETF assets will rise from \$25bn to over \$400bn in a decade



Larry Fink: 'We are going to see evidence over the long term that sustainable investing is going to be at least equivalent to core investments. I believe personally it will be higher' © FT montage; Bloomberg

Source: Financial Times, 2018



Enhance and protect **shareholder value** by assessing and empowering sustainability practices in the **real asset sector**

GRESB Real Estate

Annual ESG benchmarking for real estate portfolios

2009



G R E S B[®]
REAL ESTATE

ESG performance of
property companies
and fund managers



G R E S B
REAL ESTATE DEVELOPER

ESG performance of
developers

2016



HEALTH & WELL BEING Module

Provides insights on
leadership and
actions related to
health & well-being
in buildings

2017



G R E S B
PUBLIC DISCLOSURE 2017

Degree of sustainability
disclosure for public
property companies'



G R E S B
REAL ESTATE PRE-ASSESSMENT

Preliminary ESG
performance and
improvement tools

2018



GRESB RESILIENCE MODULE

Institutional Investor Members - Examples

Over 75 institutional investor members – combined total AuM USD 18 trillion



GRESB is a collaborative ESG Data Platform

Harmonized, efficient and powerful



Investors get an aggregated sustainability report at portfolio level. Engagement impact is increased through harmonization, aggregation, and benchmarking

Participants fill out one questionnaire instead of multiple and get direct and relevant feedback from line-by-line benchmarking tool

Application of ESG Reporting Tools

Identifying opportunities for portfolio de-risking and engagement

Investors

- Overall understanding of ESG issues
- Positive screening for capital allocation and manager selection
- ESG portfolio monitoring and continuing due diligence
- Engagement tool with investment managers
- Carbon footprint reporting

Companies and funds

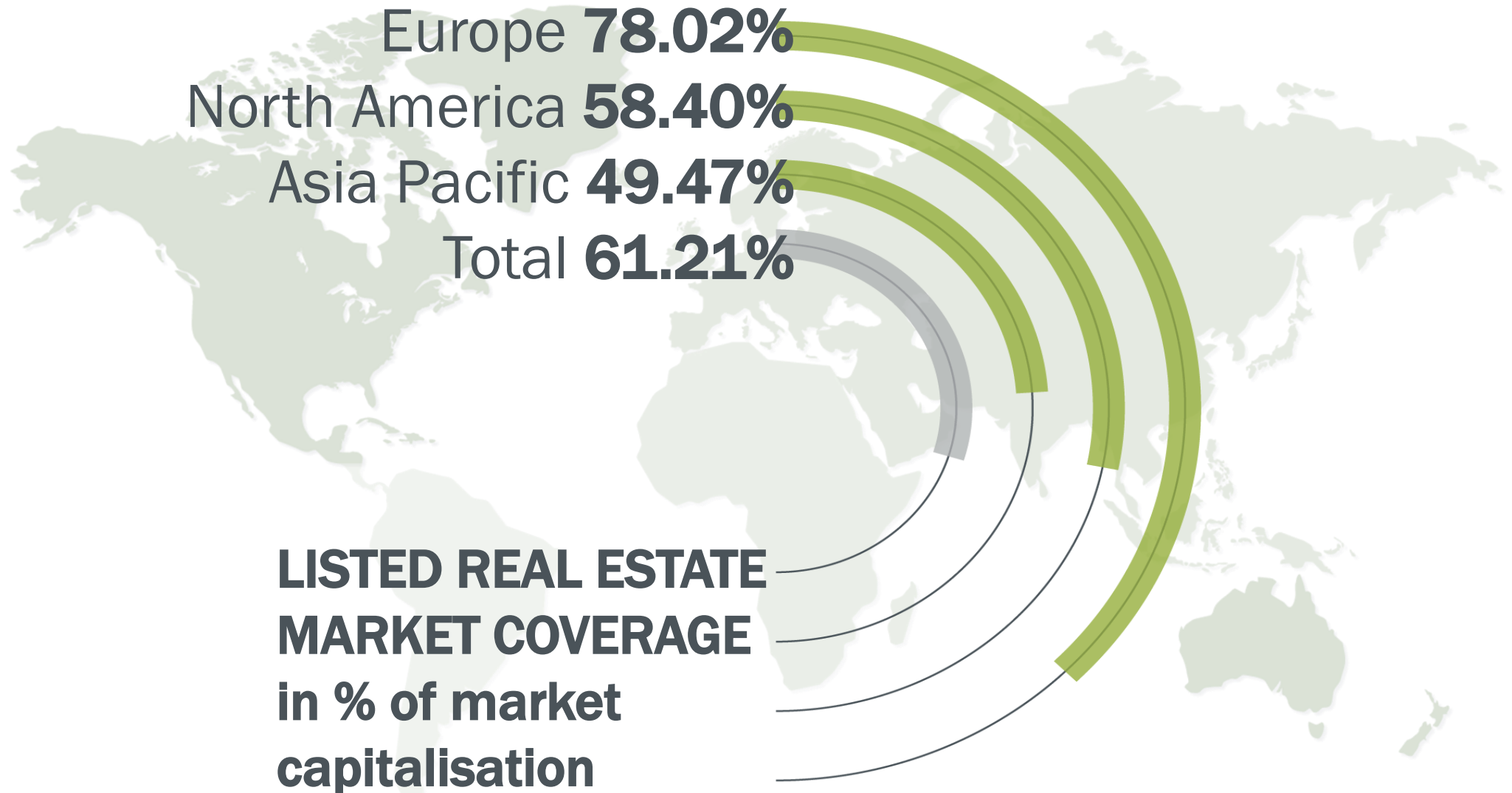
- Understanding of ESG related portfolio risks and opportunities
- Identify industry best practices in ESG performance
- Develop tailored action plans for improvement
- Engagement tool for internal and external stakeholders

GRESB Real Estate - Regional Coverage

Total number of participants/total value (USD billions, 2018)



GRESB 2018 LISTED REAL ESTATE COVERAGE





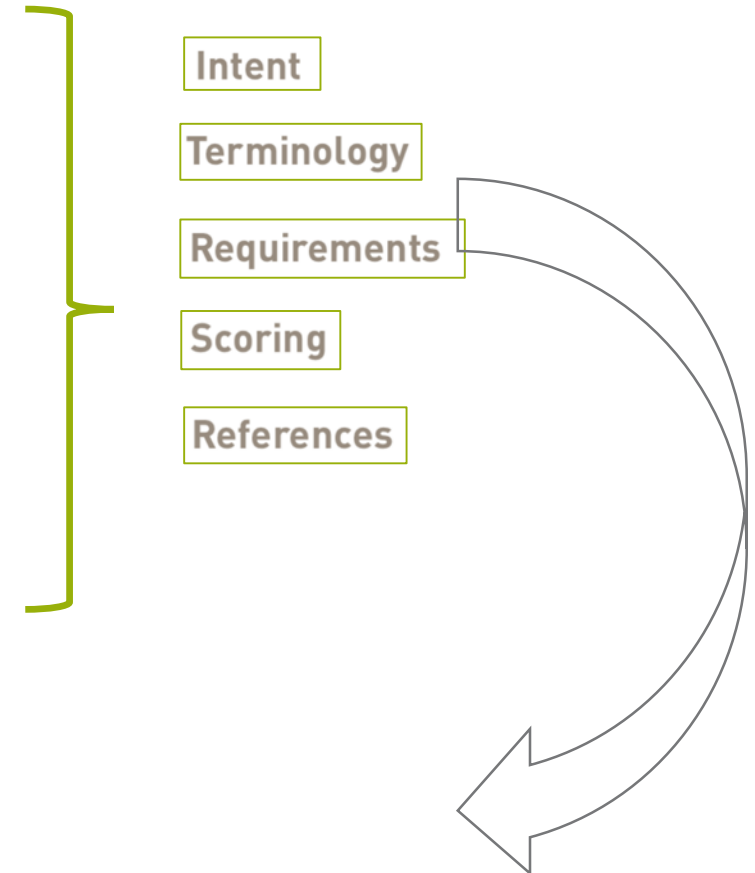
Assessment Characteristics

Robust Assessment of Sustainability Performance

1 Questionnaire
“ASSESSMENT”

6 Categories
“ASPECTS”

65 Questions
“INDICATORS”

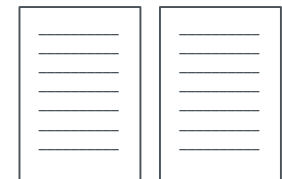
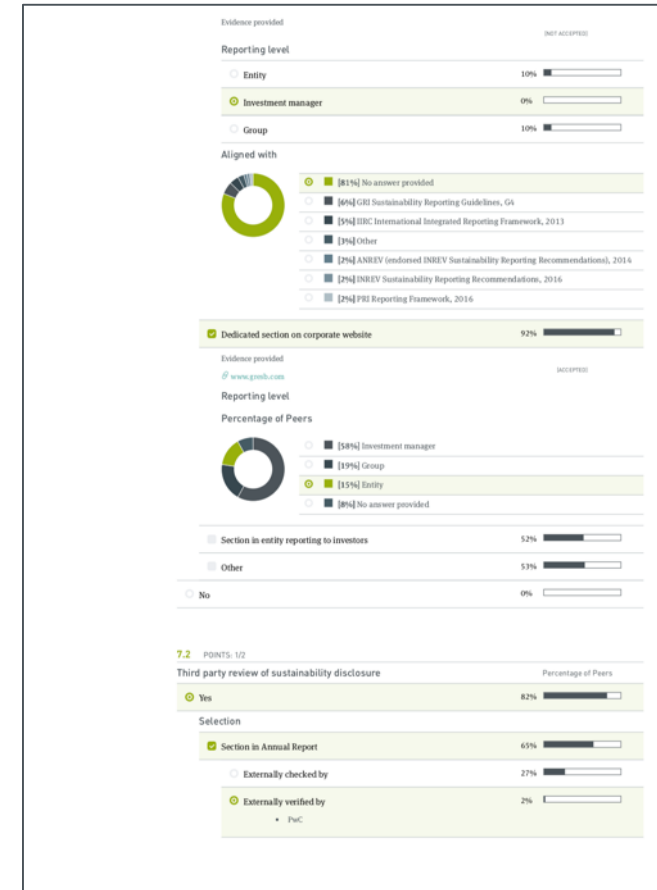
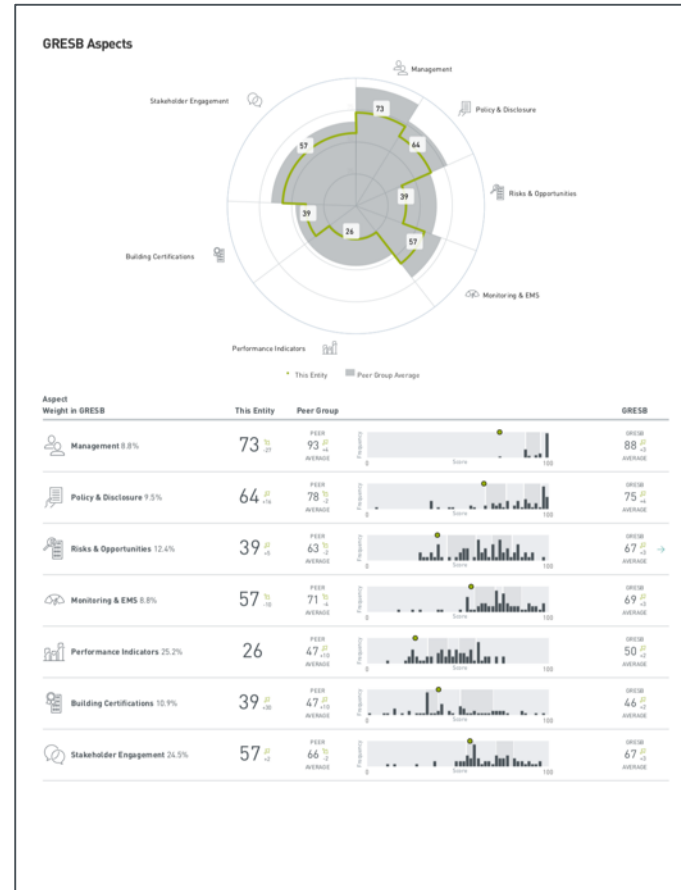
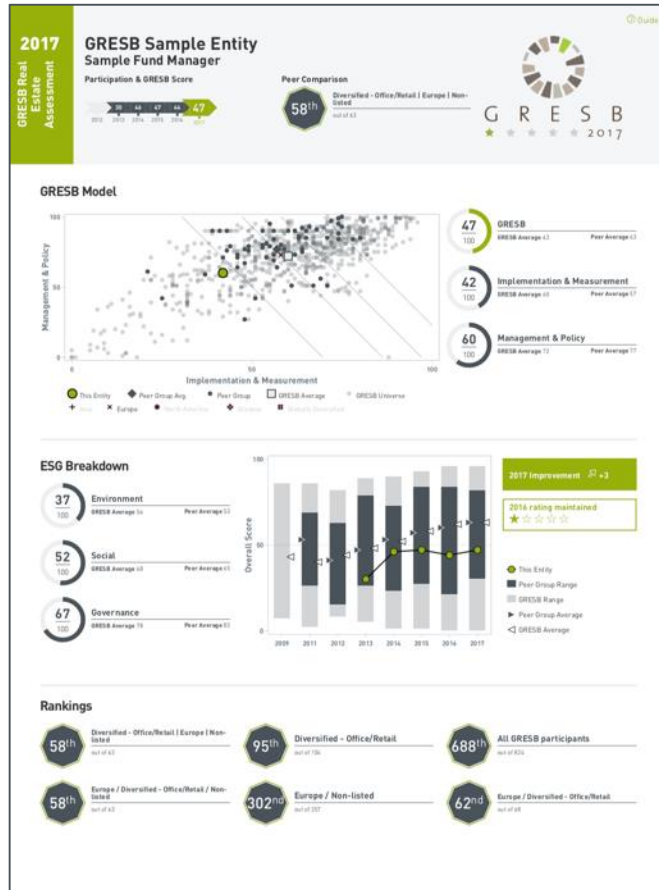


Addresses two dimensions:

- Management & Policy (MP)
- Implementation & Measurement (IM)

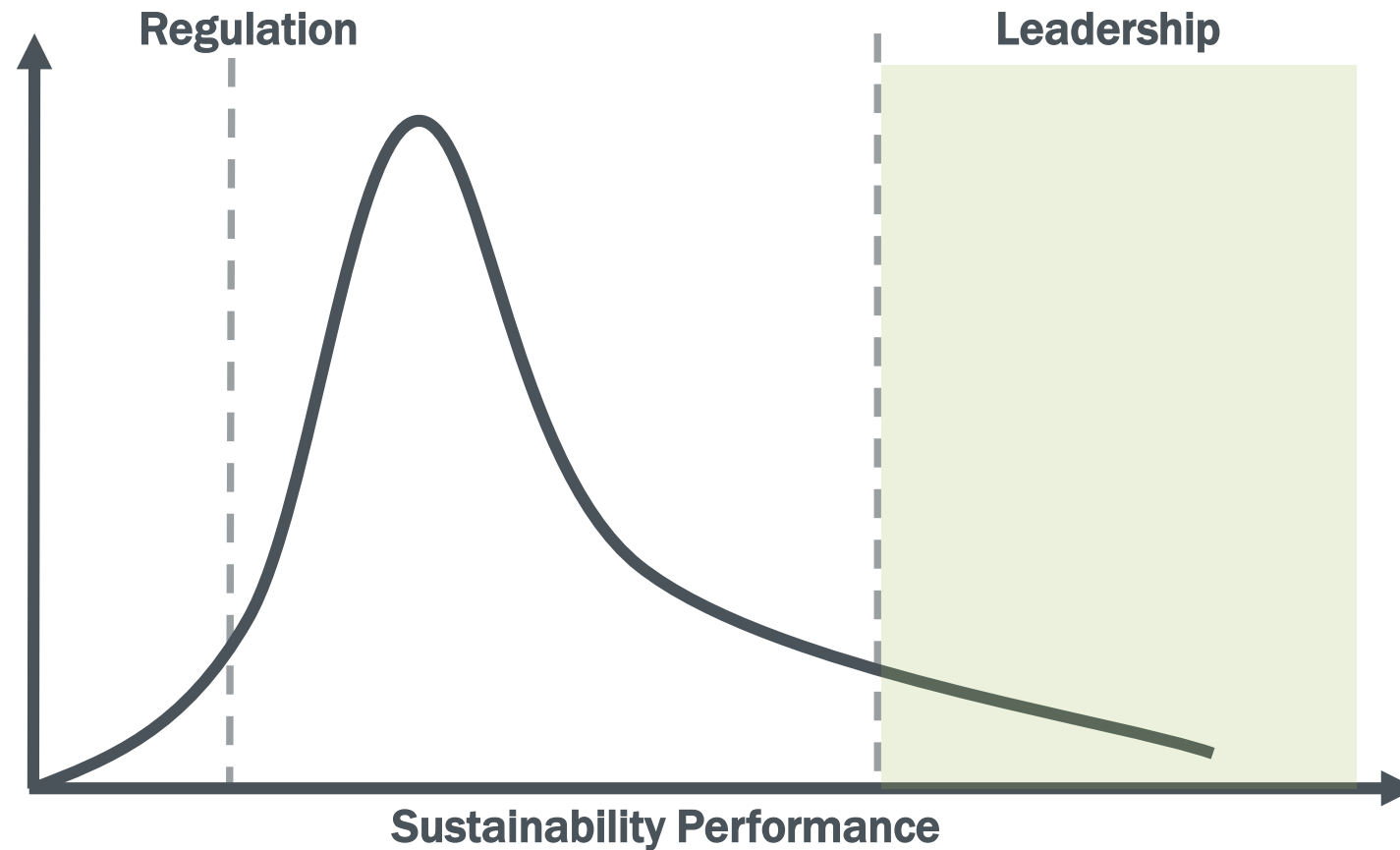
GRESB Benchmark Reports

Peer-benchmarking and actionable business intelligence towards participating managers



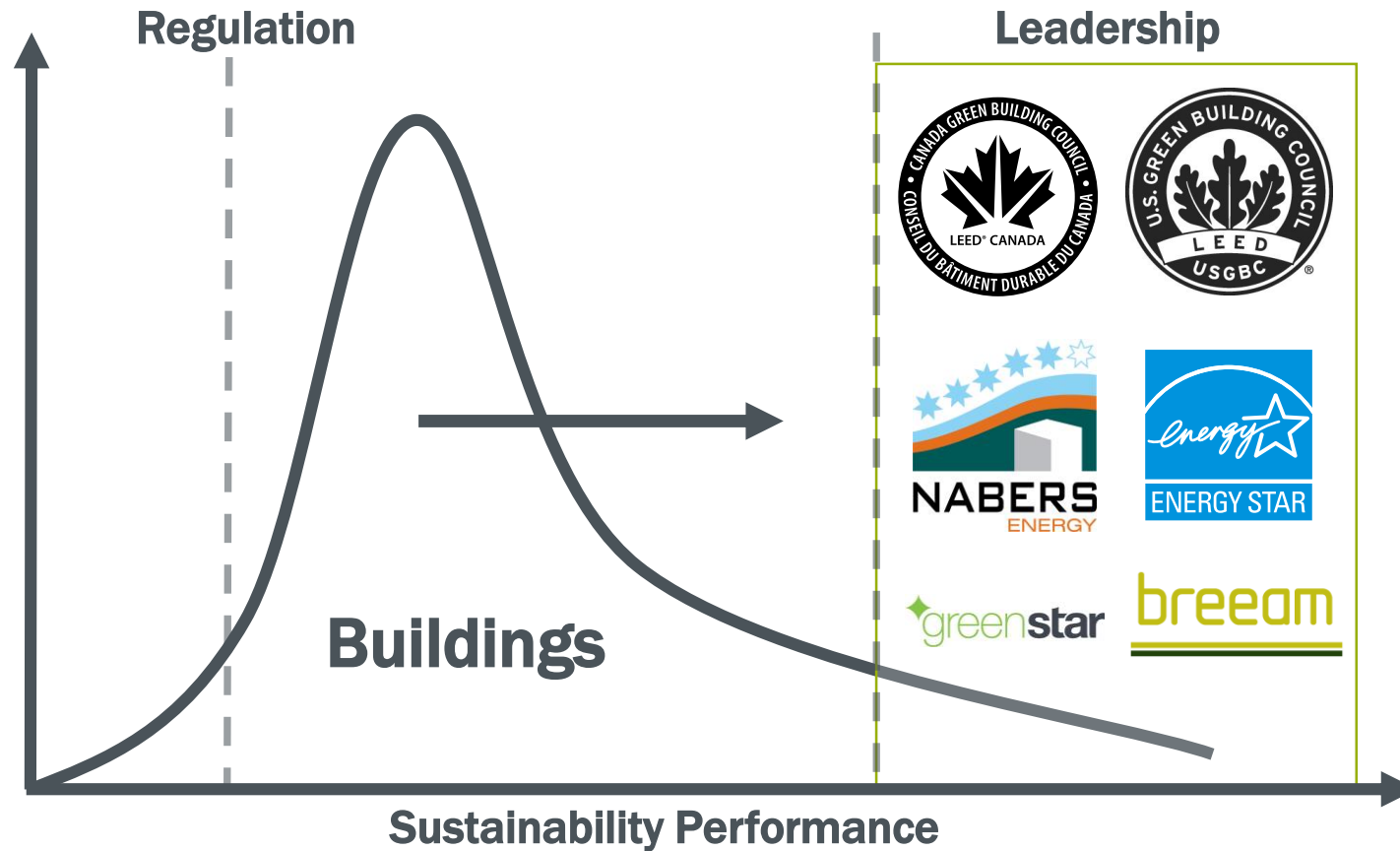
Market Behavior

Distribution of activity | All economic sectors



Real Estate Market

Economic signaling



GRESB Real Estate Assessment

Private equity funds | Separate accounts | Private + Public REITs | JVs & Club deals

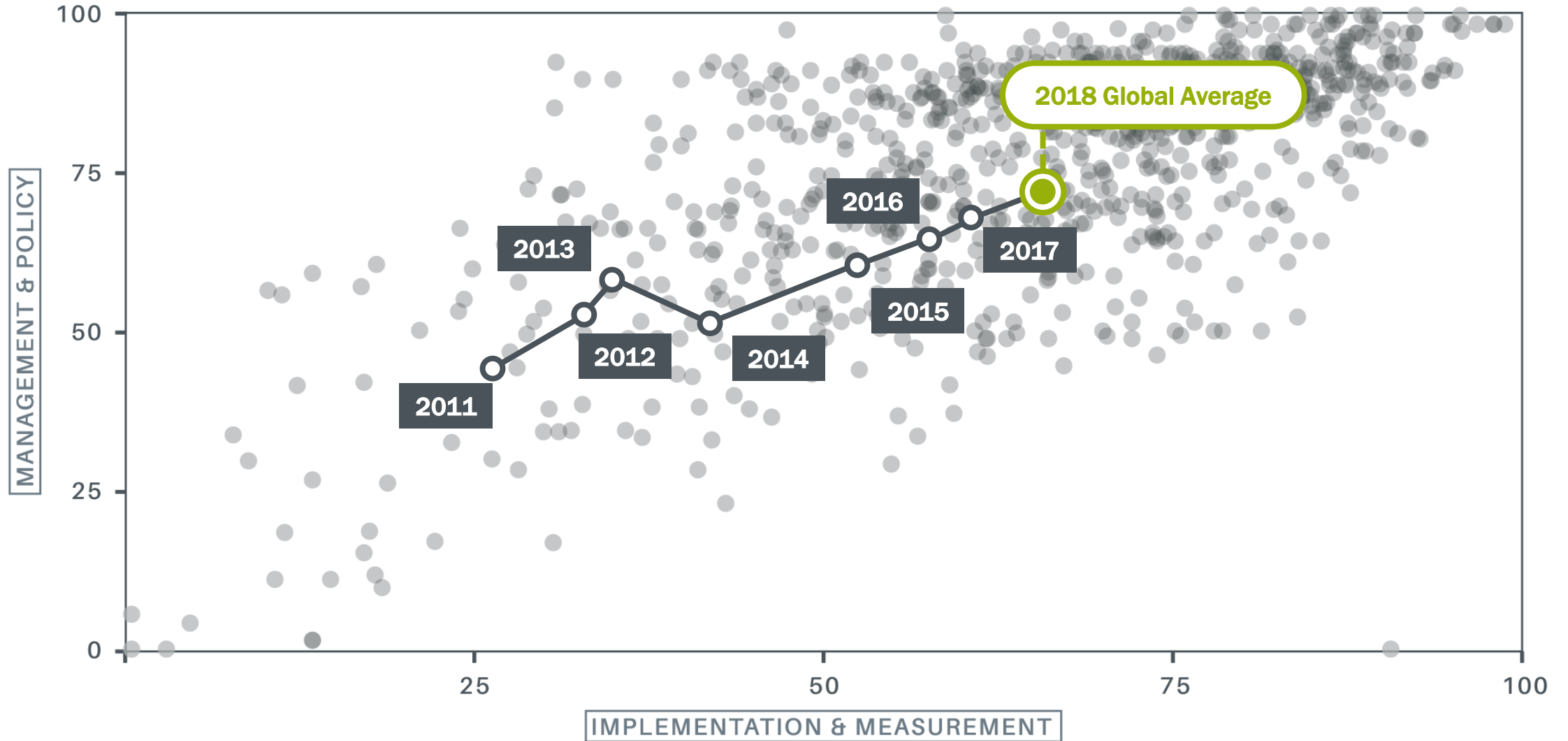




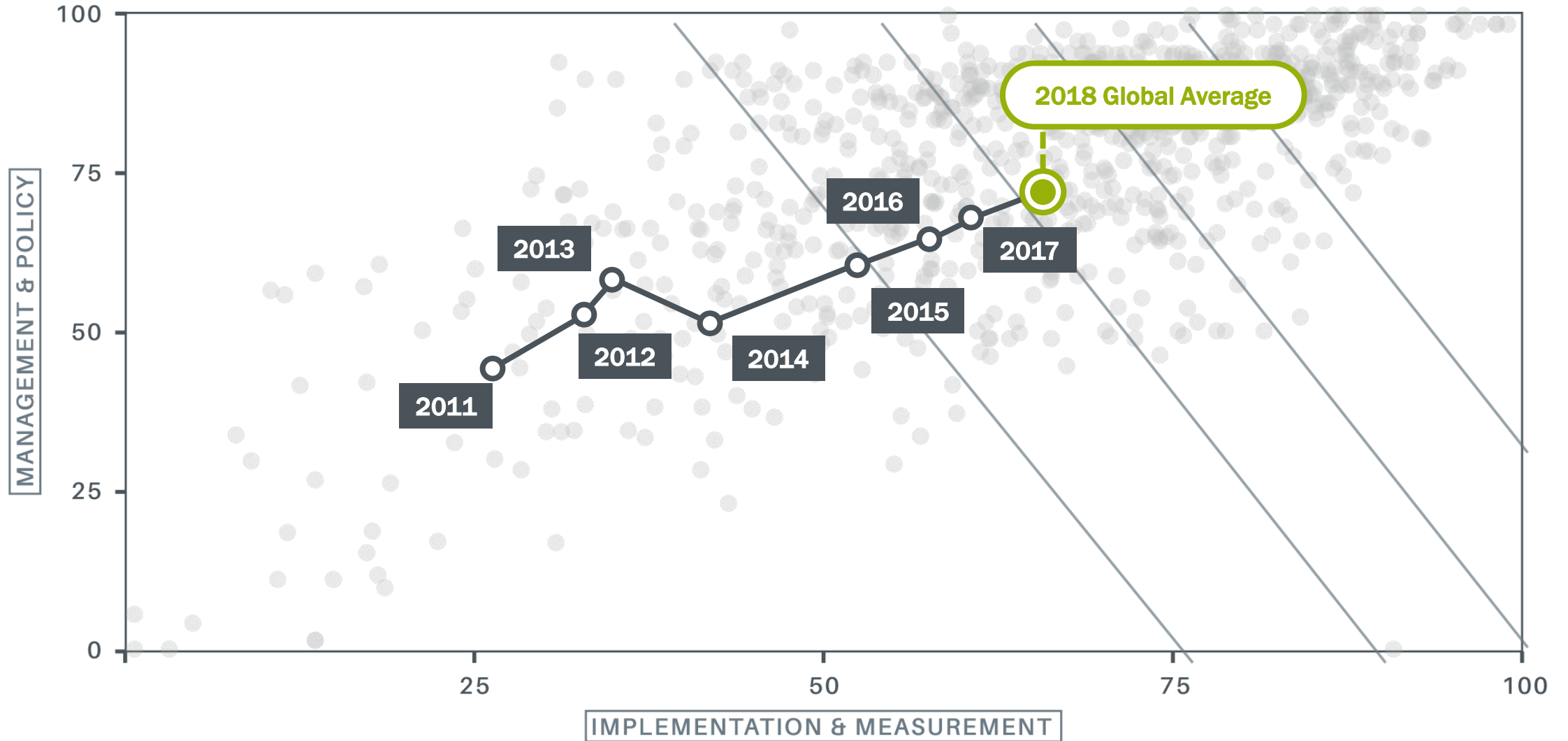
G R E E S B

★ ★ ★ ★ ★ 2018

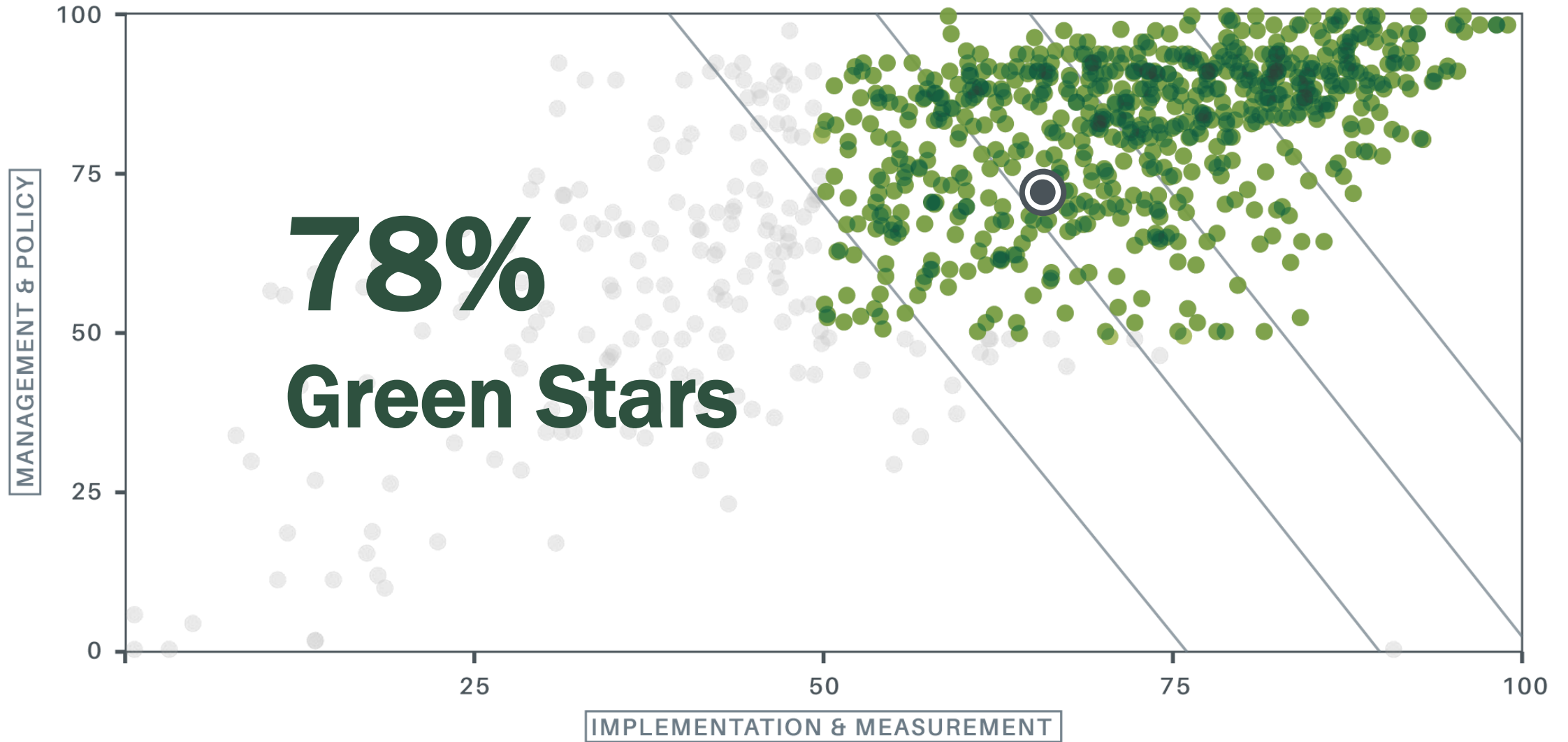
GRESB Aggregate Real Estate Results



GRESB Aggregate Real Estate Results



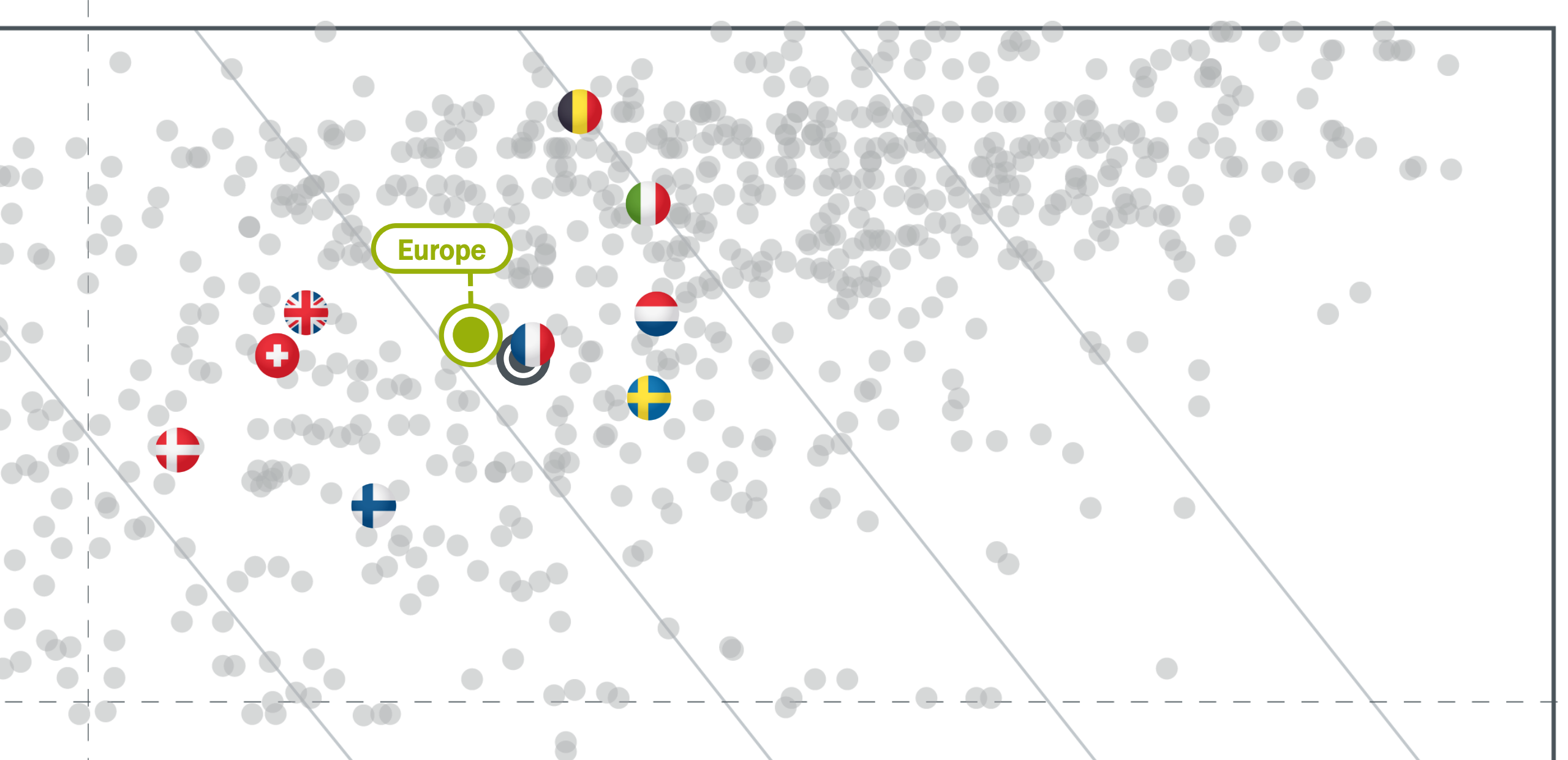
GRESB Real Estate Results



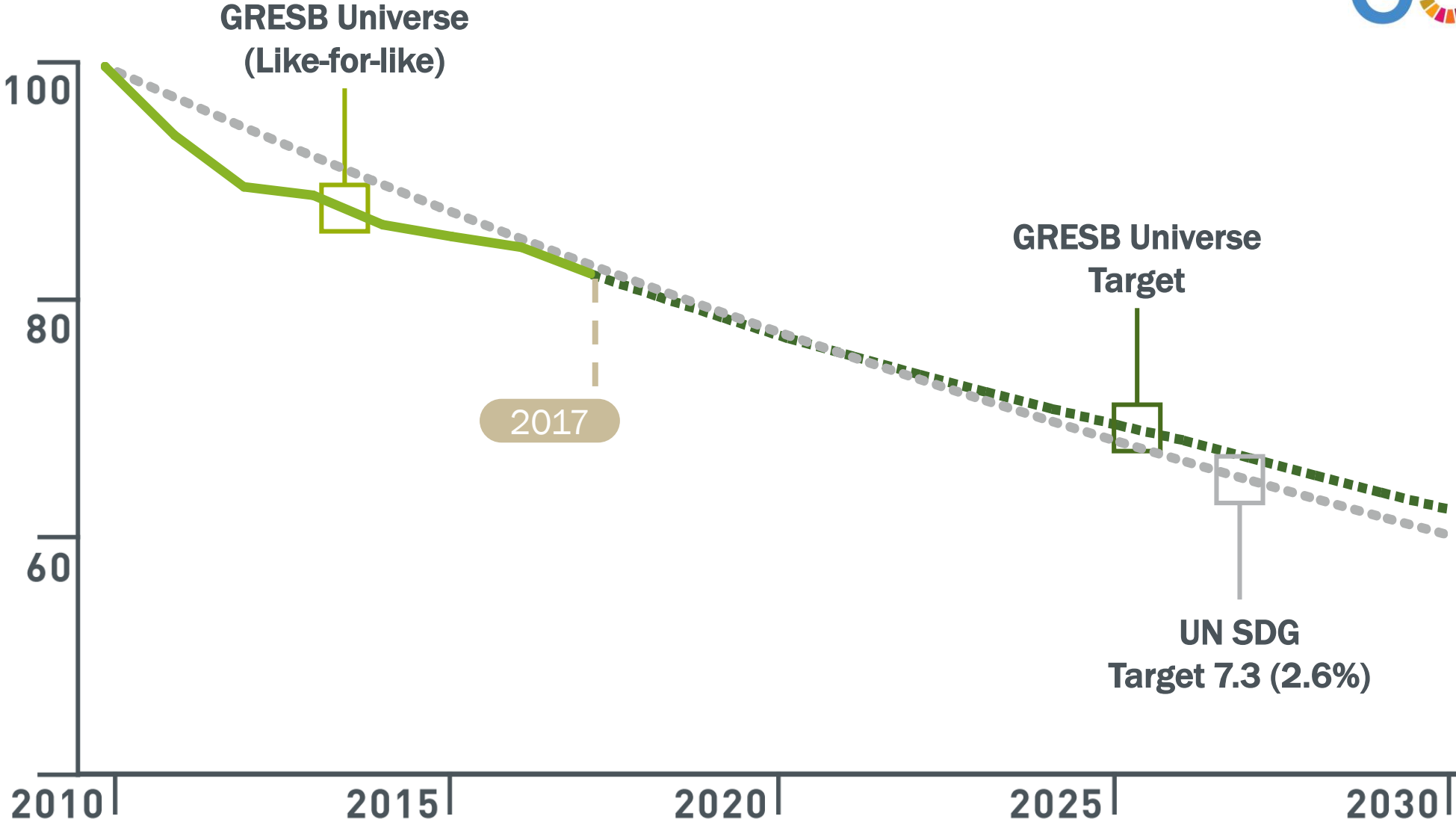
Competition in the top right-hand corner



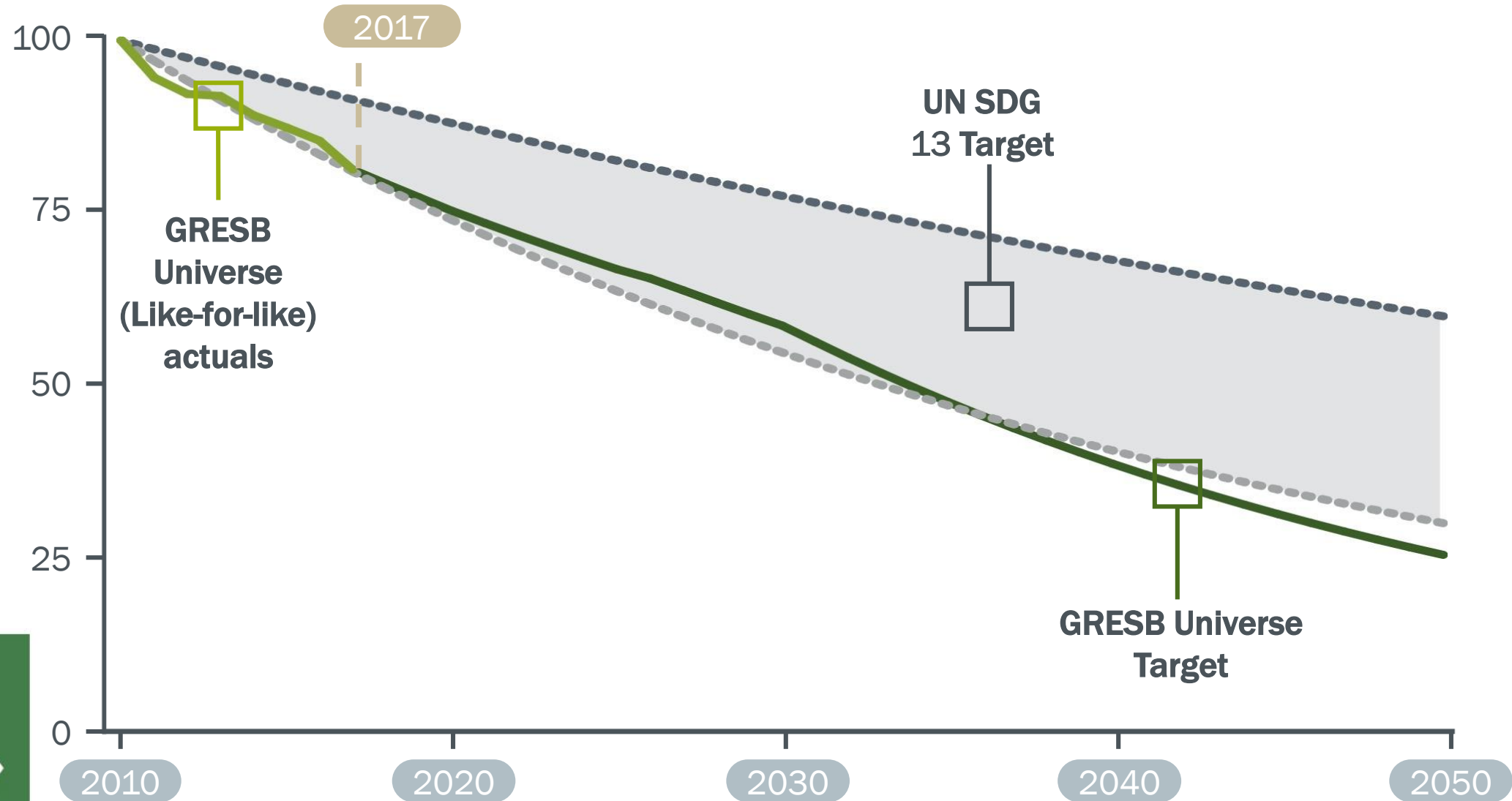
GRESB Real Estate Results: Europe



Aggregated Data: alignment with SDG 7



Aggregated Data: alignment with SDG 13



13 CLIMATE ACTION



Conclusion

- **Sustainability Benchmarking** addresses the agency problem between investors and managers
- It brings together relevant **Environmental** and **Social** data measured in a standardized way
- With good coverage, it allows for **peer benchmarking** with regard to sub-sectors and geographies
- **GRESB** is the Global Sustainability Benchmark for Real Assets



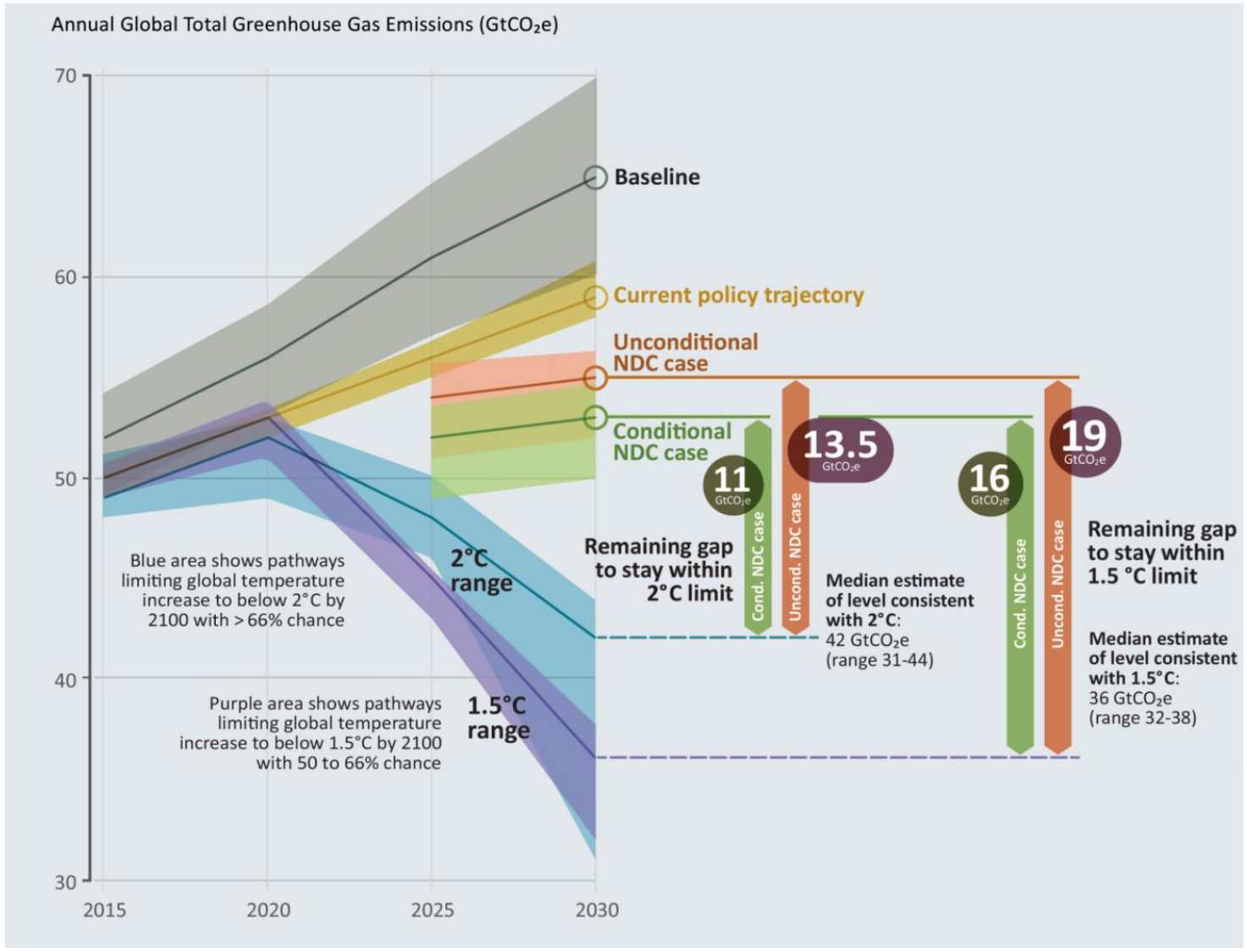
***CRREM: Carbon Risk Real Estate Monitor - Framework for science based decarbonisation pathways, toolkit to identify stranded assets and push sustainable investments
(February 2018 – January 2021)***

The project is funded by the Horizon 2020 Framework Programme of the European Union.

General Objectives:

- Objective 1 – Downscaling & transparency: Breaking down INDCs by sector, company and property level for more transparency and capacity building
- Objective 2 – Strategic implication of “Stranded assets”: Defining areas for improvement and strategic options
- Objective 3 – Framework, Toolkits & Methods: Making decarbonisation in the commercial real estate sector measurable

GHGs



Current global warming has already reached 0.9°C since the late 19th century (!)

Source: NASA, 2019

Source: UNEP, 2017



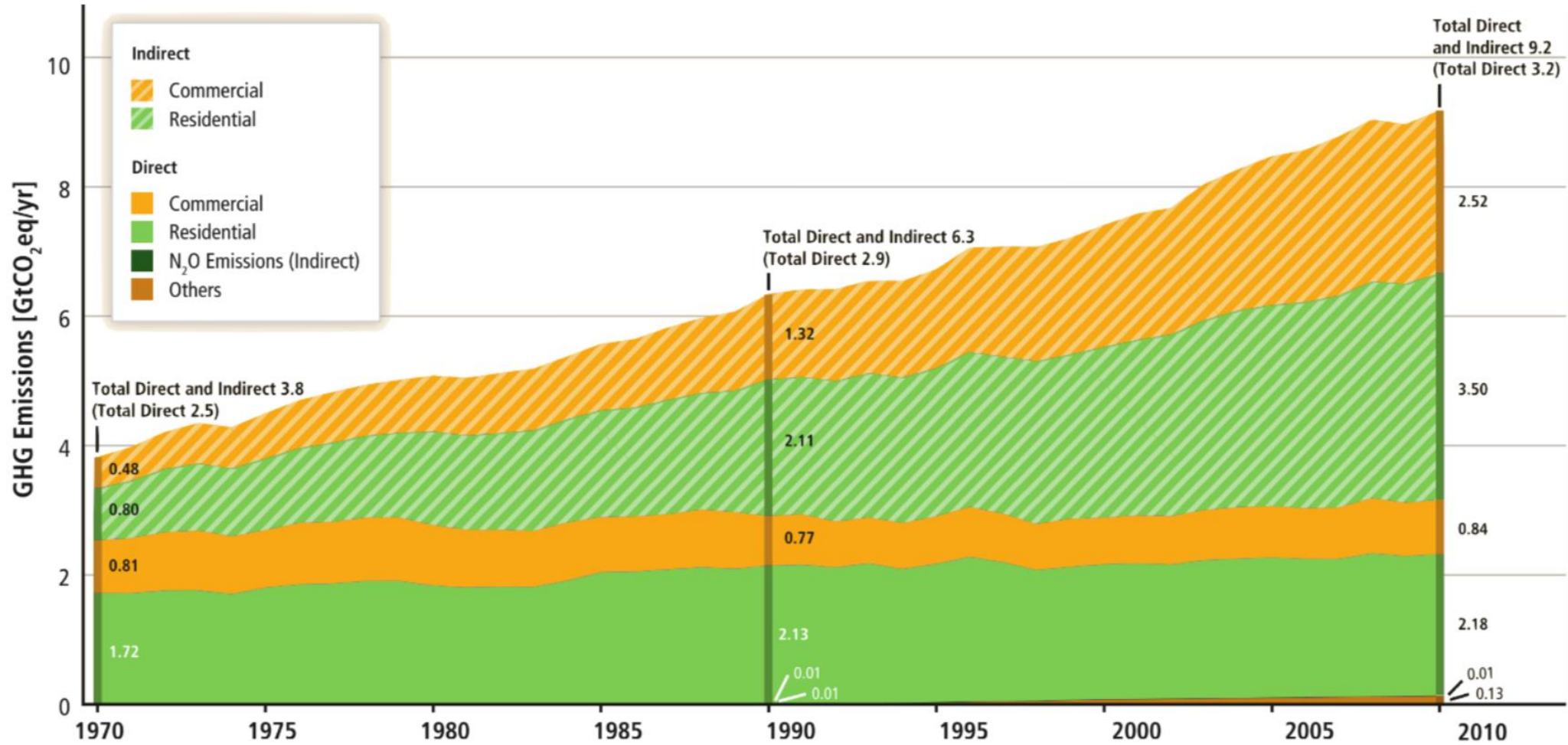
Overview of GHG Protocol Scopes

Scope I	GHG emission from greenhouse gas sources (greenhouse gas source physical unit or process that releases a GHG into the atmosphere) owned or controlled by the organisation.
Scope II	Energy-related indirect greenhouse gas emission. GHG emission from the generation of imported electricity, heat or steam consumed by the organisation.
Scope III	Other indirect greenhouse gas emission GHG emission, other than purchased energy-related GHG emissions, which is a consequence of an organisation's activities, but arises from greenhouse gas sources that are owned or controlled by other organisations.



GHGs

Direct and indirect emissions (from electricity and heat production) in commercial and residential buildings

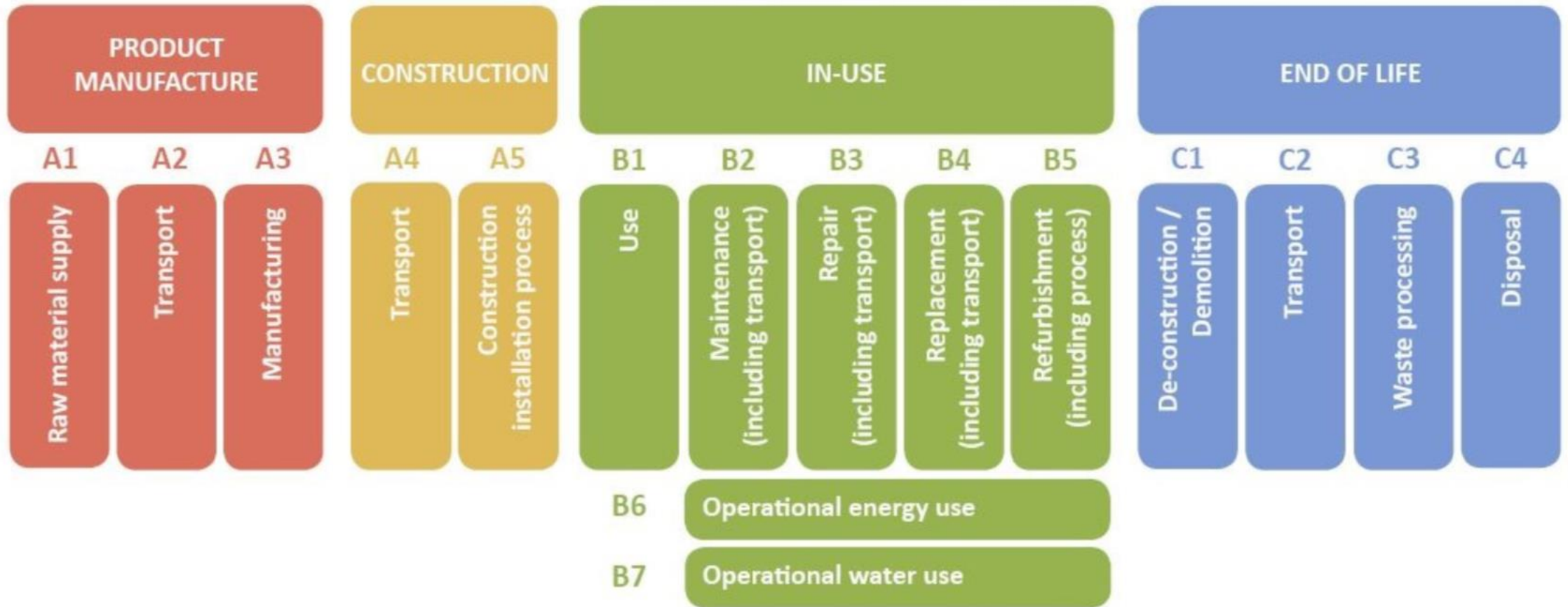


Source: IPCC, 2014.



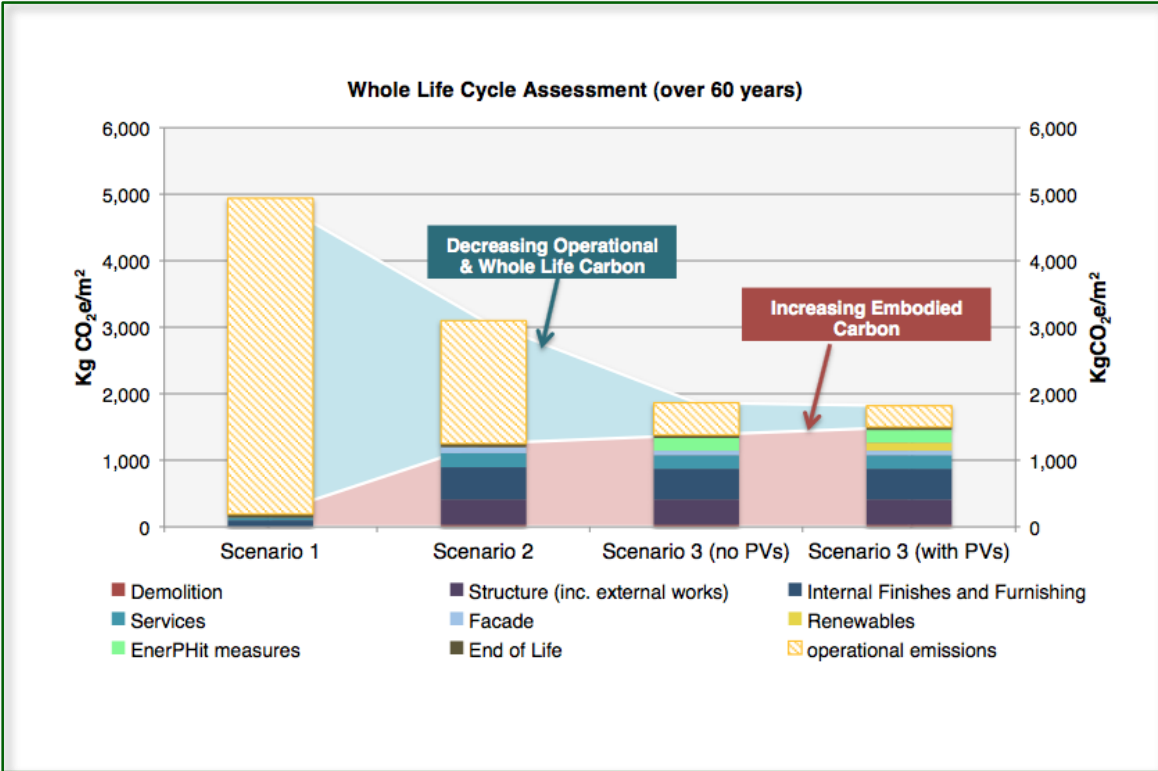
GHGs

EN 15978 Building Life-Cycle Stages





GHGs



**Double or triple glazing
60 years life cycle**

Benefit of 3rd sheet = 11,661 kgCO₂e
Cost of 3rd sheet = 13,193 kgCO₂e

Source: Sturgis Carbon Profiling, 2018



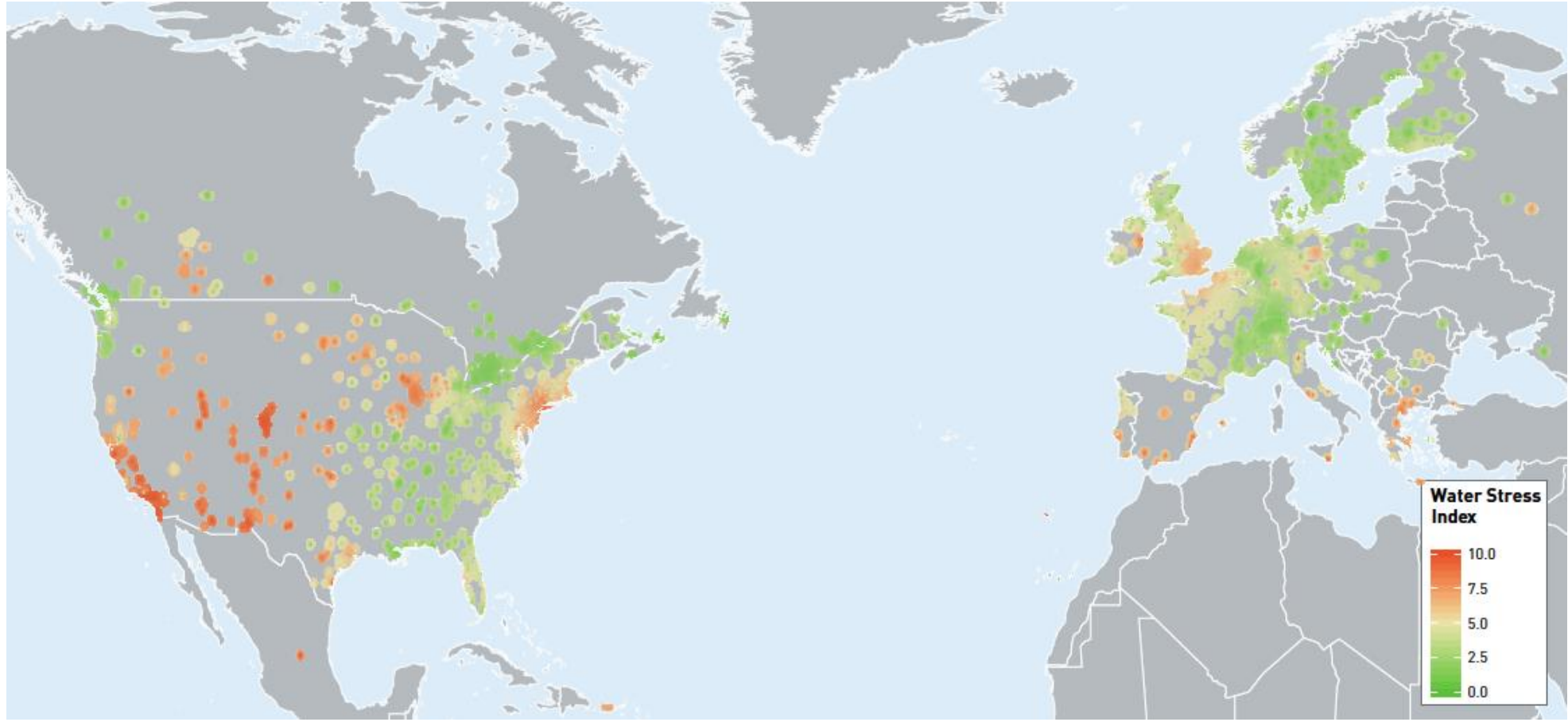
Figure 4

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

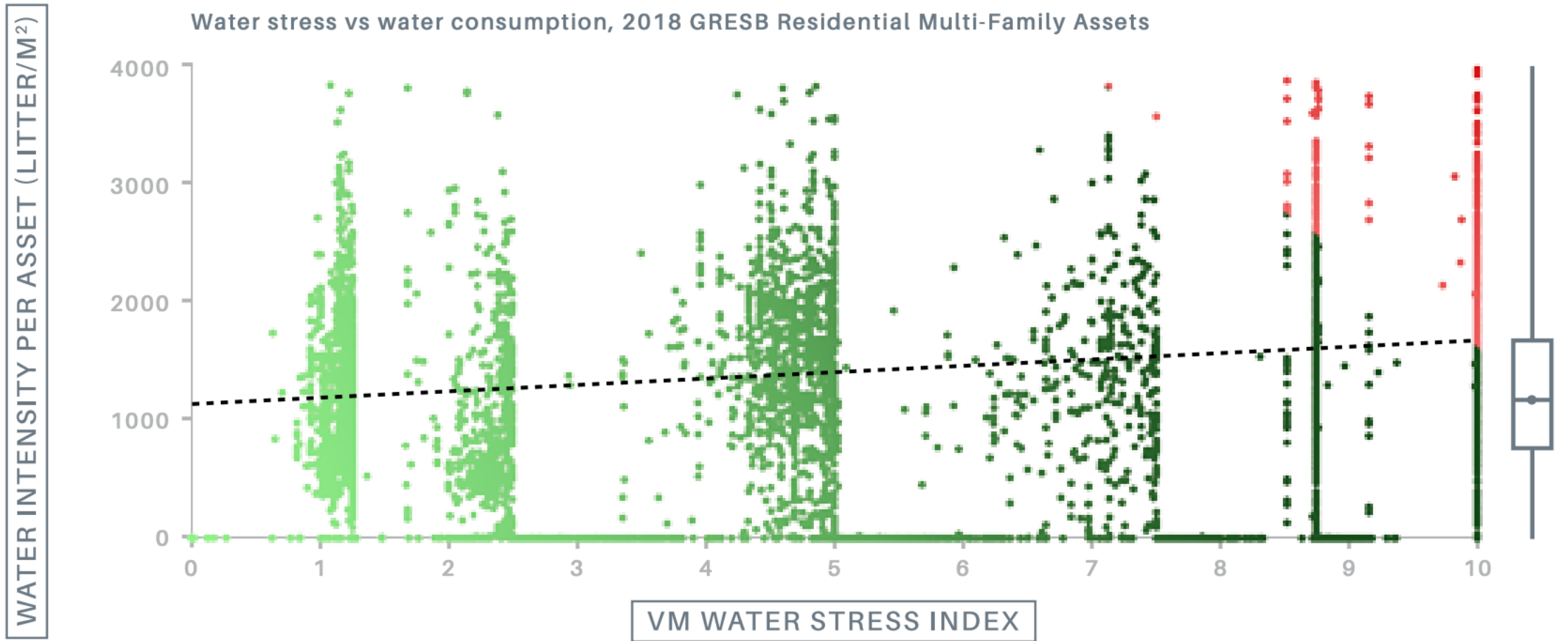


 Resilience



Source: GRESB & Verisk Maplecroft, 2018

Resilience





Resilience

Overview of adaptation measures implemented by 2018 GRESB Residential Multi-Family participants

What	Adaptation measure	Indicator	% in place	
			VM Risk < 3 (N = 18)	VM Risk > 7 (N = 19)
Policy that addresses:	Water consumption/management	PD1	100%	84%
Long term reduction targets set for:	Water consumption	PI5	44%	58%
Due diligence risk assessment that covers:	Water efficiency	RO3.1	94%	58%
Due diligence risk assessment that covers:	Water supply	RO3.1	56%	68%
Technical building assessments performed for:	Water efficiency	RO4	100%	63%
Employee training on:	Water	SE1	56%	79%
Average number of water management measures in place			12/15	11/15

Conclusion

- The world needs to **decarbonize** significantly to adhere to the **Paris Climate Agreement**
- Real Estate can play an important role in this by reducing **both direct and indirect emissions**
- Investors phase both **physical** and **transitional climate risks** and opportunities



G R E S B[®]

Rik Recourt, CAIA

Associate - Real Estate

r.recourt@gresb.com

+31 63 443 5784 – mobile

+31 20 774 0220 – office

© 2018 GRESB BV

Unless explicitly stated otherwise, all rights including those in copyright in publication are owned by or controlled for these purposes by GRESB B.V. Except as otherwise expressly permitted under copyright law or GRESB B.V.'s terms and conditions, no part of this publication may be reproduced, copied, republished, downloaded, posted, broadcast or transmitted in any way without first obtaining GRESB B.V.'s written permission.