



CRREM

Carbon Risk Real Estate Monitor

European Investor Committee | Meeting #2 | October 10, 2018

PUBLIC VERSION

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement no. 785058

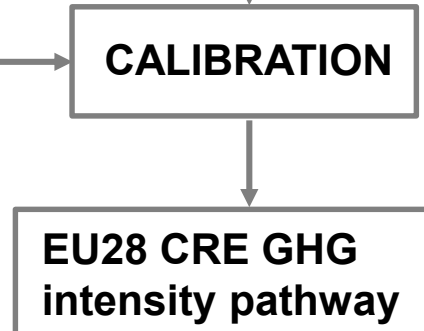
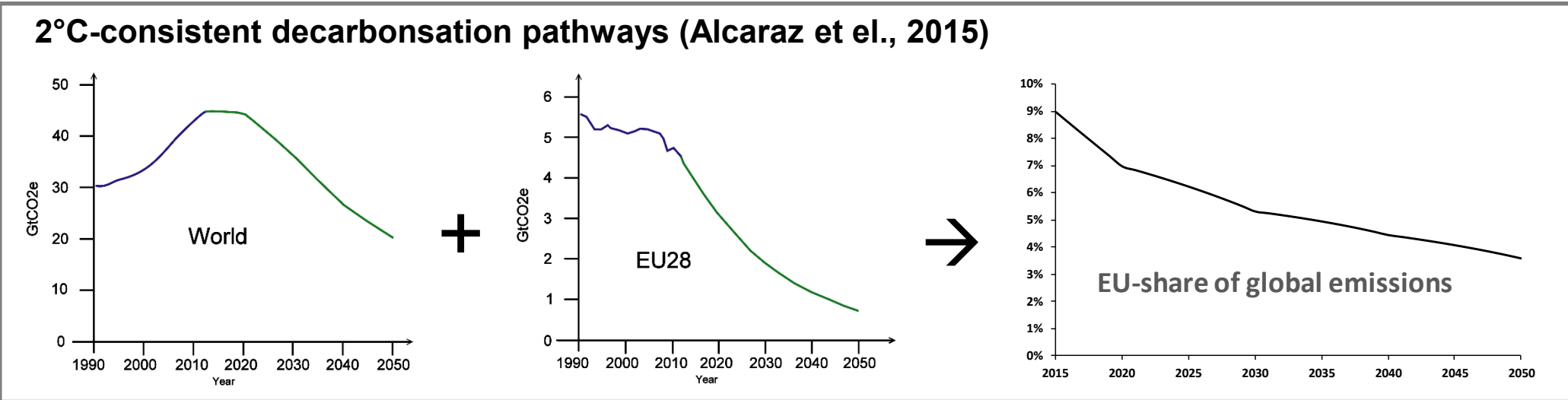
- **alstria office REIT-AG:** Alexander Dexne (CFO)
- **CDP:** Alberto Carrillo Pineda (Director Science Based Targets and RE)
- **Credit Suisse:** Roger Baumann (COO & Head Sustainability/Co-Head Germany)
- **EPRA:** Gloria Duci (ESG Officer)
- **Land Securities:** Tom Byrne (Sustainability Manager)
- **PGGM/INREV:** Mathieu Elshout (Senior Director Private Real Estate)
- **ZIA:** Thies Grothe (Head of Department General Building Policies)

New EIC Members:

- **Aberdeen Standard Investments:** Ruairi Revell (ESG Manager, Real Estate)
- **ECE:** Maria Hill (Director Sustainability & Internal Services)
- **Drees & Sommer International:** Peter Prischl (Managing Director, International)
- **Grosvenor:** Emily Hamilton (Sustainability Manager)
- **METRO AG:** Olaf Schulze (Director Energy Management, Investments & Technical Solutions)
- **Savills Investment Management (Germany):** Gerhard Lehner (Managing Director, Head of Fund Management)
- **ULI Greenprint:** Marta Schantz (Senior Vice President)
- **Union Investment:** Jan von Mallinckrodt (Segmentsteuerung Immobilien, Leiter Segmententwicklung)
- **WorldGBC:** Stephen Richardson (Technical Lead - Energy Efficient Mortgages)

EIC capacity increased to 25 representatives

Downscaling methodology: Downscaling of total global budget to EU28 commercial real estate



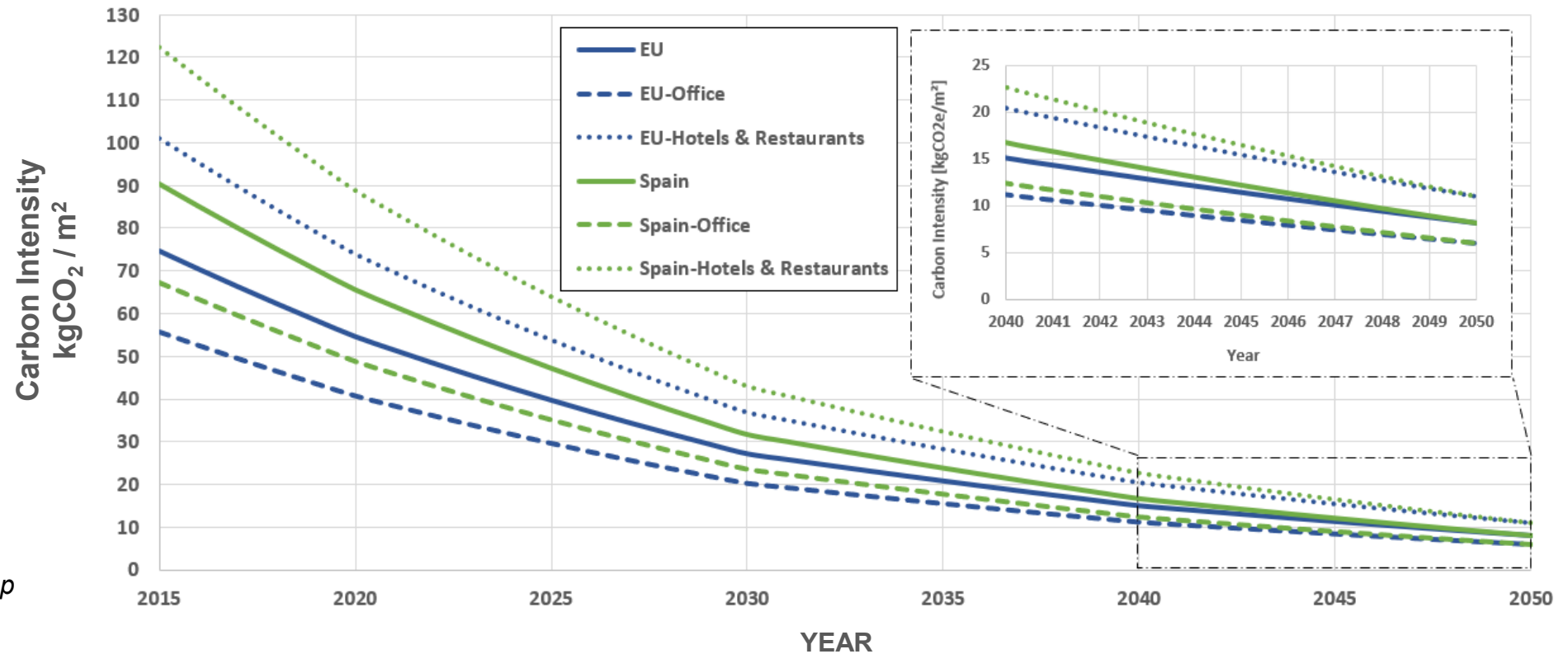
Downscaling methodology

Sectors: Different allocation of responsibilities

Depending on:

- Baseline intensity
- Reduction capacity

Decarbonisation of EU and Spanish Commercial Real Estate Sub-Sectors: Office vs. Hotels & Restaurants



Sources: EUREF16
CTI 2050 Roadmap
Eurostat
ENTRANZE

■ Mixed used buildings

Mixed-use is not a typology, but a combination of building types



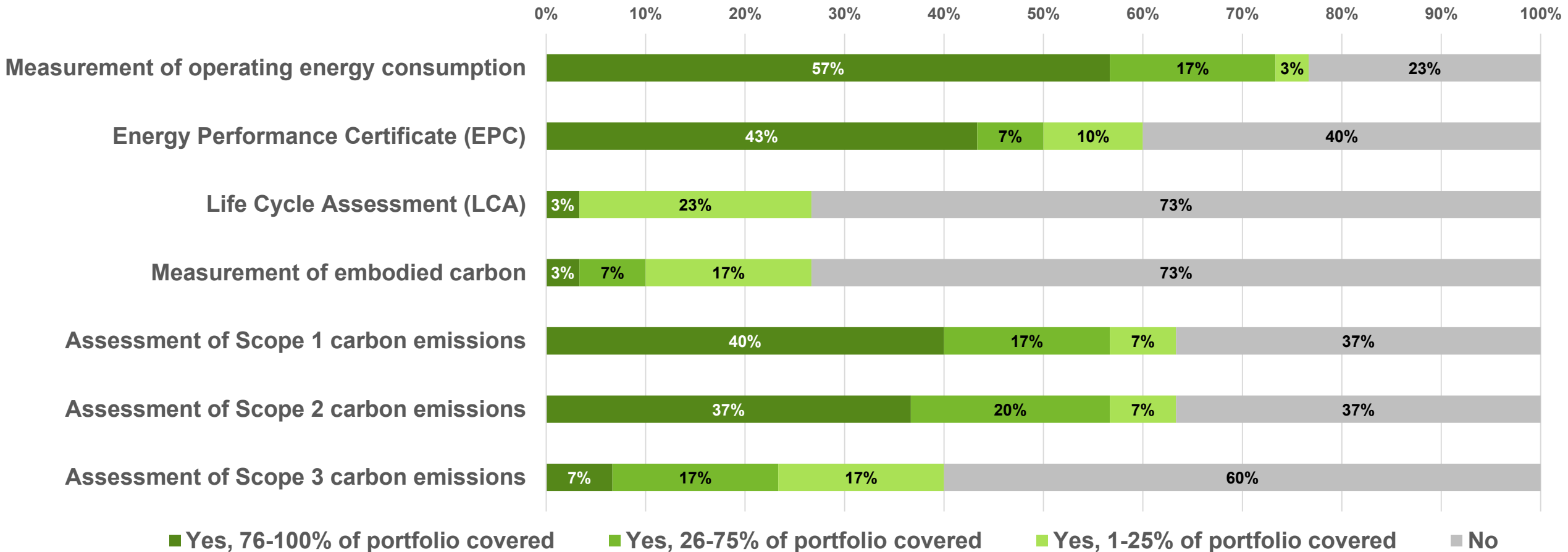
Contextual background

- Survey was conducted by Ulster University as part of Working Package 3
 - Distributed via GRESB network and also existing consortium partner networks
- 30 participants – Representing € 260 bn asset under management

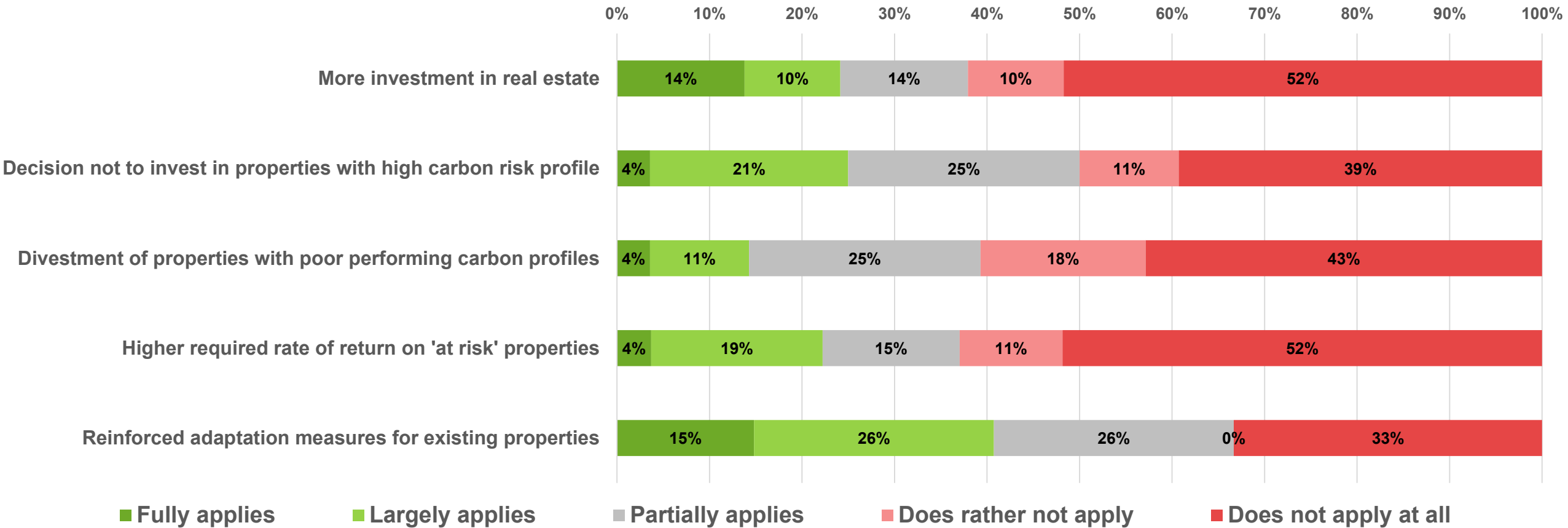
Purpose

- To enhance understanding of how real estate professionals across Europe currently perceive and evaluate carbon risk.
- To improve awareness of the risk assessment strategies, tools and decision making procedures currently being deployed to assess carbon risk.
- To determine the extent to which carbon reduction targets have impacted the decision to invest in commercial real estate.
- To gain additional insight on industry needs and expectations pertaining to asset, portfolio and corporate level decision making tools linking real estate specific attributes to Science Based Targets (SBTs).

How do you currently assess carbon emissions?



What conclusions have you drawn from your carbon assessments?



Key learning outcomes

- 39% of responses suggested that they would not be deterred from future investment in real estate assets with a poor carbon profile.
- 43% of respondents determined that they would not be persuaded to dis-invest in existing assets with poor carbon performing profiles. With 41% of responses (fully or largely applies) suggested that carbon risk assessment reinforced the need for adaptation measures of existing portfolios.
- 50% of respondents said that carbon risk assessment is a substantial component of their risk assessment process.
- Retrofitting decisions are predominantly motivated by enhanced returns and then legislative compliance.
- Societal and environmental considerations do not feature as prominently as a motivator for retrofitting.
- Only 19% of respondents indicated that their company applied carbon risk assessment across the life cycle of the asset.

Framework for peer grouping CRREM tool

The CRREM project proposal includes a peer grouping methodology that requires the submission of fund or company data for benchmarking (e.g, minimum of 5 peers).

- In the last EIC call, it was discussed that an Excel-based tool is the initial preferred approach.
 - Advantage: No data needs to be submitted to a third-party platform.
 - Disadvantage: Lack of peer comparison data.
- **Suggestion**: First develop the tool so that risks only will be compared against a third-party building database or national building stocks.
- **EIC discussion**: At what level is carbon risk benchmarking currently most important (asset, portfolio, manager/company)

Date and time

- Teleconference March 2019.
 - Proposed times: Thursday, March 14, 16:00 (CET), or Wednesday, March 20, 15:00 (CET).
 - **EIC Input:** *preference for either of these times.*

Agenda

- Finalized SDA methodology and overview of data gaps for setting SBTs at portfolio and asset level
- Initial conceptional framework policy risks and opportunities related to carbon reduction strategies in real estate
- Suggested measures for a carbon proof retrofitting performance index



Q&A / Discussion