

The background of the slide is a complex, abstract network of interconnected nodes and lines. The nodes are represented by small black dots, and the lines are thin, light gray. Some lines are highlighted in a vibrant orange color, creating a sense of flow and connectivity across the entire slide.

ESG & Real Estate

SCSI Presentation

15 March 2022

SustainabilityWorks.

About SustainabilityWorks



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A consultancy on a mission to accelerate Ireland's shift to a sustainable future.

Experts in sustainability strategy, finance, policy, innovation, communications and reporting.

We make sustainability simple. We make it actionable. We make it work.

Agenda

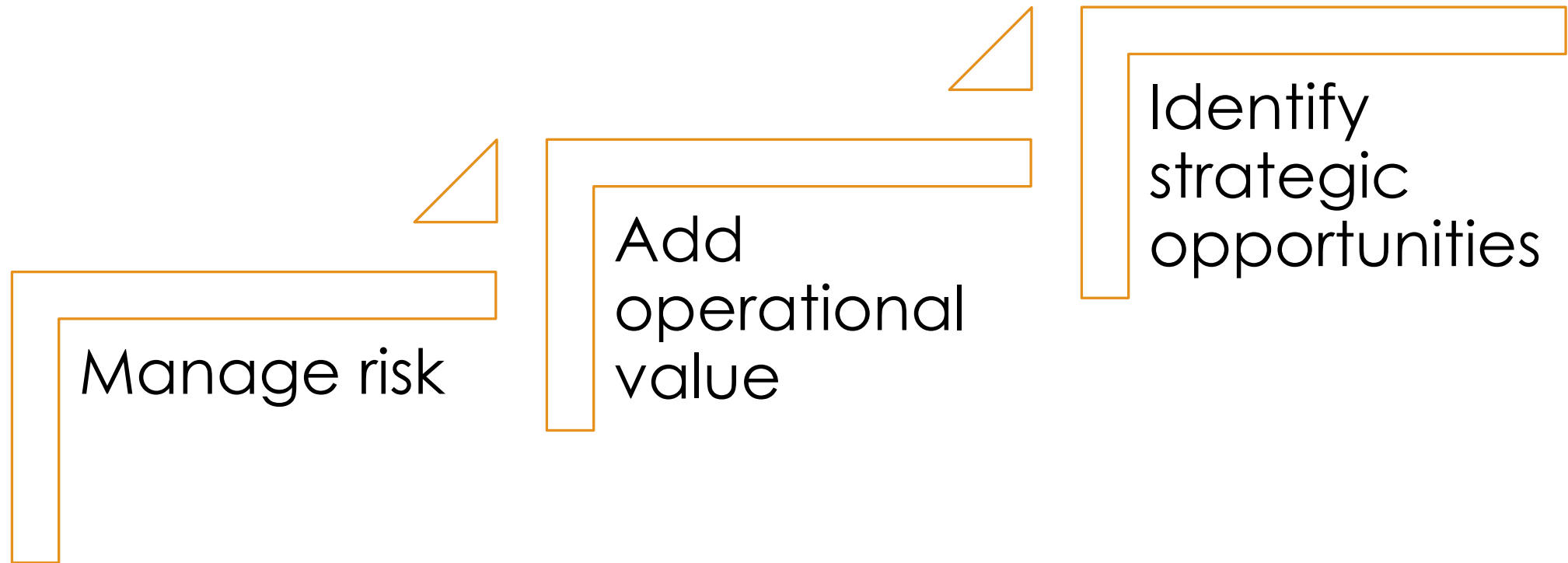
1. Real estate investors & ESG
2. What is a green building (from an investor perspective)?
3. How might this all impact the real estate sector?
4. Q&A

ESG / Responsible Investing

“Responsible investment is a strategy and practice to **incorporate ESG** factors in investment decisions and active ownership – **to better manage risk and generate sustainable, long-term returns.**”

Principles of Responsible Investment

Objectives of ESG integration



The broad universe of ESG



ENVIRONMENTAL

- climate change
- resource depletion
- waste
- pollution
- deforestation



SOCIAL

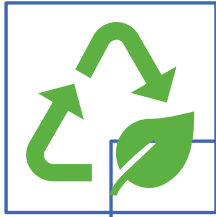
- human rights
- modern slavery
- child labour
- working conditions
- employee relations



GOVERNANCE

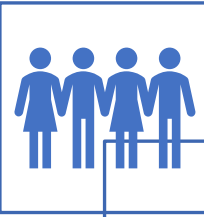
- bribery and corruption
- executive pay
- board diversity and structure
- political lobbying and donations
- tax strategy

Material ESG issues for real estate



Environmental

- Carbon emissions
- Climate risk – physical & transitional
- Air quality
- Waste management
- Water management
- Circular buildings
- Smart buildings
- Sustainable transport
- Biodiversity
- Innovation



Social

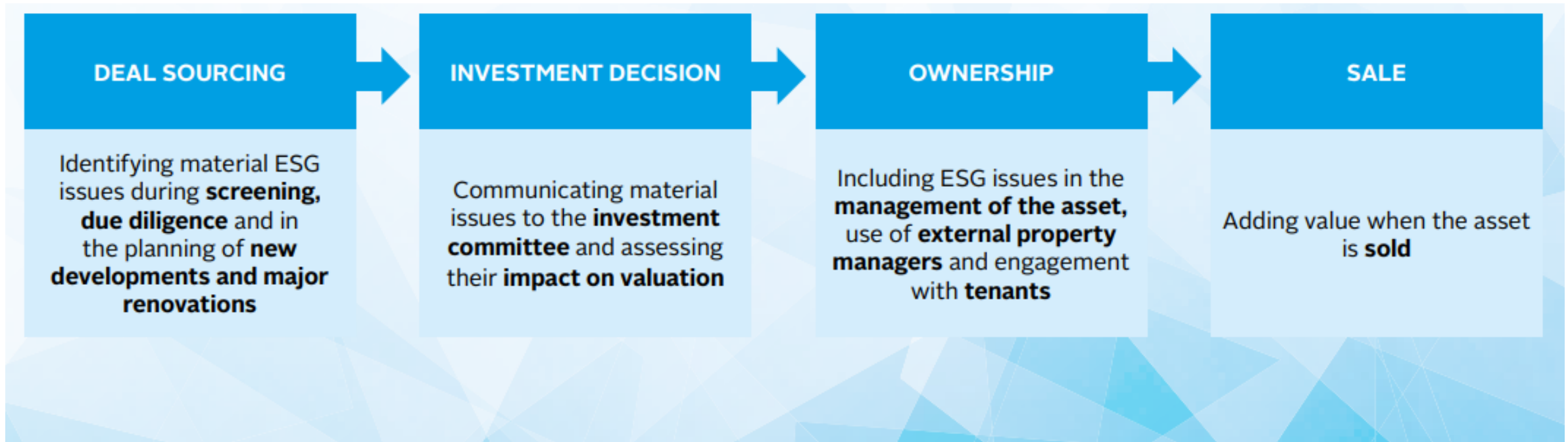
- Health, safety & wellbeing
- Tenant engagement
- Responsible procurement
- Communities
- Employee development
- Diversity and inclusion
- Public realm



Governance

- Business conduct
- Corporate governance
- Transparency
- Human rights
- Data protection

Real Estate Investment & ESG



PRI Guide

ES&G.... Or just E?

GRESB gives the full ES & G picture

But correlation between financial performance of an asset and ESG is clearest in relation to E...



Green certification real estate premium	Overall	Commercial	Residential
Rental Premium	6.0%	5.4%	8.2%
Sales Premium	7.6%	11.5%	5.5%

Source: Dalton and Fuerst

JLL Global Research, Return on Sustainability, Jan 2022

What is a green building?

(in the eyes of an investor!)

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Green building certifications

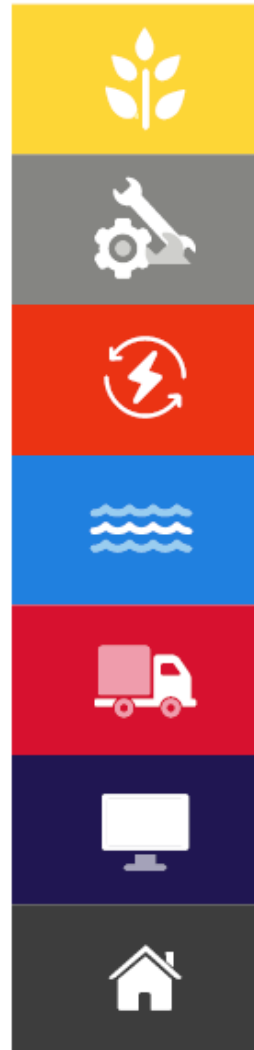


Defining green in the EU Taxonomy

A **classification tool** to help companies and the financial sector make informed investment decisions on environmentally friendly economic activities.

Aim also is to prevent green washing and facilitate climate-risk identification

And support meeting EU net zero targets



Agriculture and forestry

Manufacturing

Electricity, gas, steam and air conditioning supply

Water sewerage waste and remediation

Transport

Information and communication technologies (ICT)

Buildings

How does it work?

3 Key Steps

Climate change mitigation and climate change adaptation – definitions settled and in legislation

Social objectives –draft issued last year

Definitions for other environmental objectives being developed.



Taxonomy in practice: Construction & Real Estate

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Construction & Real Estate in the EU Taxonomy

7 main categories making
“substantial contribution to
climate mitigation” – can group
into 4:

- Construction of new buildings
- Renovation of existing buildings
- Acquisition and ownership of existing buildings
- Installations, maintenance and repairs of energy-related equipment

New buildings – technical criteria

Energy Performance	The Primary Energy Demand is at least 10% lower than national Nearly Zero Energy Building (NZEB) requirements, certified using an as-built Energy Performance Certificate.
Air tightness and thermal integrity	Large buildings (>5,000m ²), must undergo testing for air-tightness and thermal integrity to ensure design objectives met, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients
Global Warming Potential	Large buildings (>5,000m ²), life-cycle Global Warming Potential of the building, calculated for each stage in the life cycle & disclosed to investors/clients on demand

Current focus is BERs/EPCs - theoretical rather than actual. Debate is moving on to actual performance and whole of life carbon emissions including embodied and end of life.... And from nearly zero energy to zero emissions The EU Taxonomy definitions will tighten

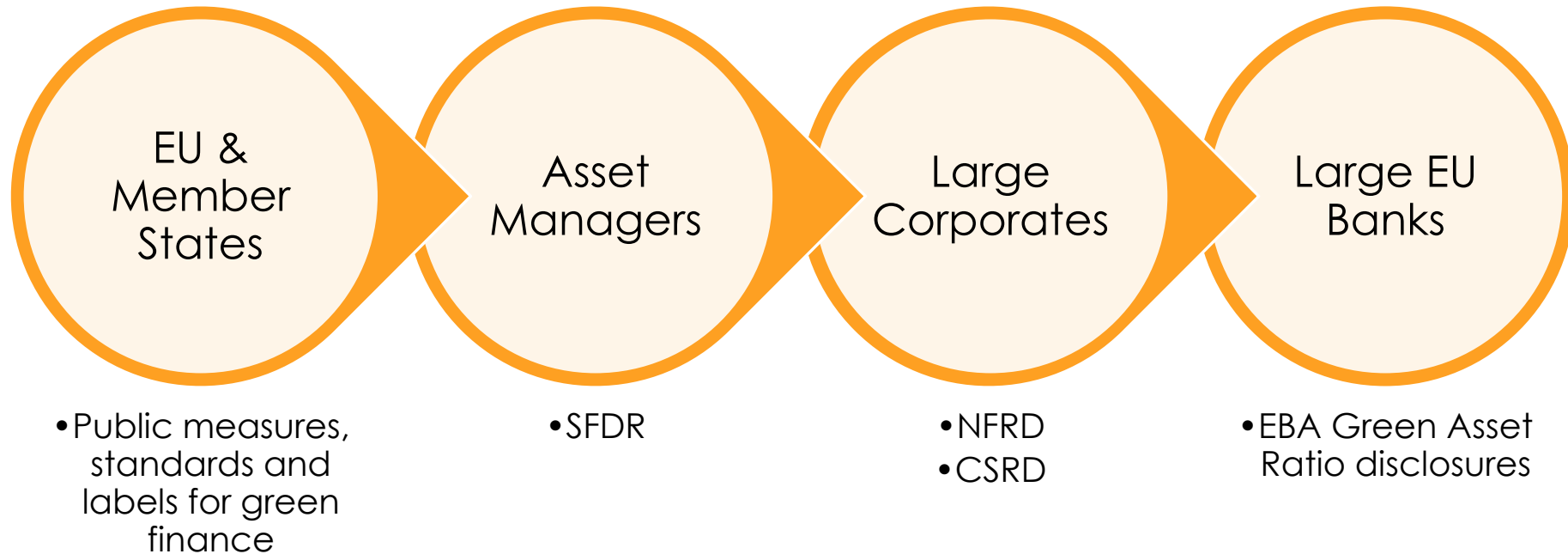
New Buildings – DNSH & Social criteria

Climate Adaptation	Assess and reduce material physical climate risks through a robust climate risk and vulnerability assessment
Water	Requirements re efficiency of water appliances
Circular economy	Requirements around waste and preparation for reuse, recycling and other material recovery
Pollution prevention	Requirements around use of dangerous materials and emissions of volatile organic compounds. Ensure site isn't contaminated. Measures to reduce noise, dust, pollutants during construction/maintenance
Biodiversity	No building in protected natural areas or land of recognised high biodiversity value
Minimum Social Safeguards	Alignment with OECD and UN Agreements & Guidelines

Taxonomy in practice: Who must use it?

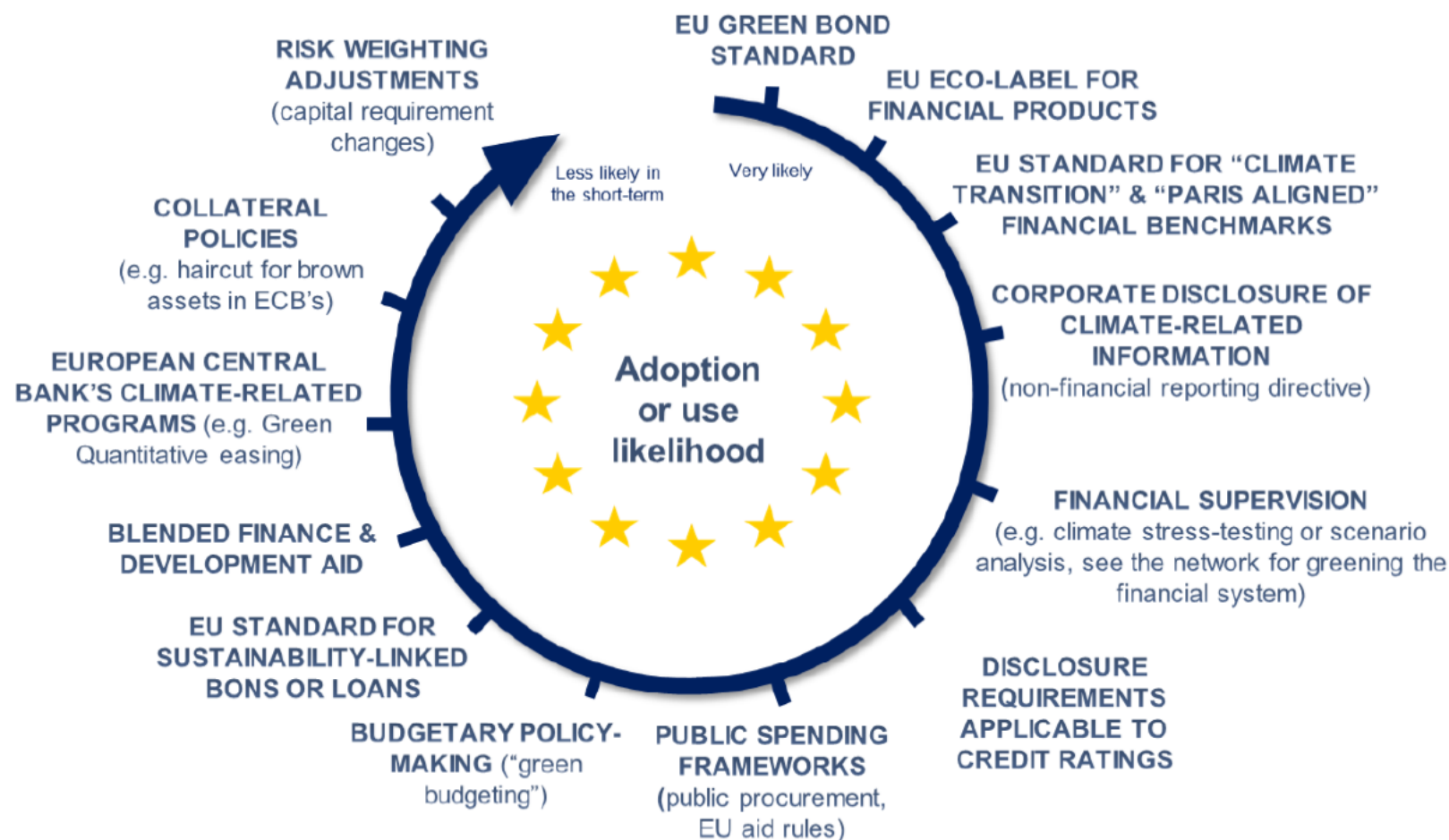
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Who must use it?



What are all the potential uses?

Will be the bedrock of many mechanisms within EU financial and non-financial legislation

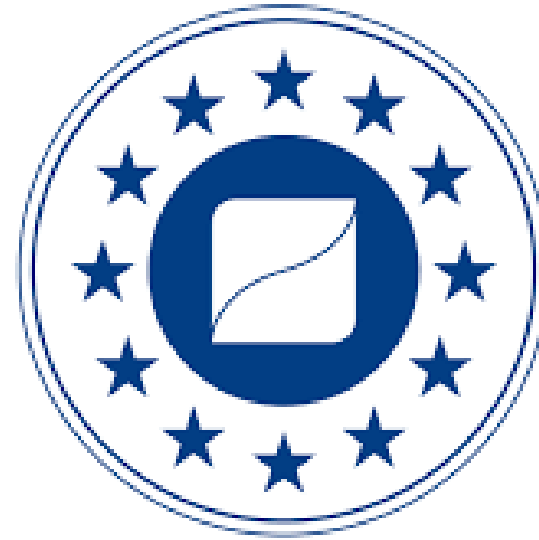


Who will certify taxonomy alignment?

Sufficient to self-certify alignment with EU Taxonomy?

Will existing frameworks be amended to enable certification?

Or will separate Taxonomy alignment certification be required (see DGNB)?



Conform to EU taxonomy
verified by DGNB



In conclusion

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How will this impact the real estate sector?

“It is currently difficult to estimate how much lower interest expenses are with financing through our green framework, but our assessment is that it leads to better access to financing and significantly lower interest expenses.”

Vasakronen

“Mainstream and ESG investors value outperforming companies on ESG; lowers cost of capital”.

Gecina

Maximise your
impact as a
Chartered
Surveyor...

SCSI SUSTAINABILITY

OUR DECLARATION IS AS FOLLOWS:

I will:

- strive to limit the use of fossil fuels in my practice
- act in accordance with the best principles for the mitigation of environmental harm and the enhancement of environmental quality for all
- strive to ensure that the uses of natural resources are fair and sustainable taking account of the needs of a diverse society
- use my skills and experience to serve the needs of the environment and society
- serve as an example to others for responsible environmental behaviour
- be aware of, and aim to observe and support the United Nations Sustainable Development goals:

Q&A

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