



How are EU sustainable finance policies impacting the construction and real estate sector?

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Lead Tech Partner:



Corporate partners

#ExpertsInConversation

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Panellists:



Ella Etienne-Denoy
CEO, Green Soluce



Olivier Elamine
CEO, alstria Office REIT – AG, Chairman of the EPRA Reporting & Accounting Committee and a member of the EPRA Sustainability Committee



Jennifer Johnson
Deputy Secretary General, European Mortgage Federation-European Covered Bond Council (EMF-ECBC)



Sean Kidney
Co-founder and CEO, Climate Bonds Initiative

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The scale of the sustainable finance challenge, progress so far and necessary next actions



Sean Kidney
Co-founder and CEO, Climate Bonds Initiative

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Green mortgages: recapping the past five years, previewing the next decade



Jennifer Johnson

Deputy Secretary General, European Mortgage Federation-European Covered Bond Council (EMF-ECBC)

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What have the policymakers missed?: The growing need for investor stewardship



Olivier Elamine

CEO, alstria Office REIT – AG, Chairman of the EPRA Reporting & Accounting Committee and a member of the EPRA Sustainability Committee

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ONLY IN REAL ESTATE

EU Taxonomy Compass

Q owners

Sector	Activity	Climate mitigation	Climate adaptation	Water	Circular economy	Pollution prevention	Biodiversity
Construction and real estate activities	Acquisition and ownership of buildings	+	+				

Excel download

DOING GOOD BY DOING NOTHING

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ONLY IN REAL ESTATE

Home > Sectors > Construction and real estate activities

Construction and real estate activities

Construction of new buildings +

Development of building projects for residential and non-residential buildings by bringing together financial, technical and physical means to realise the building projects for later sale as well as t...

8% of global emissions



5% of global emissions

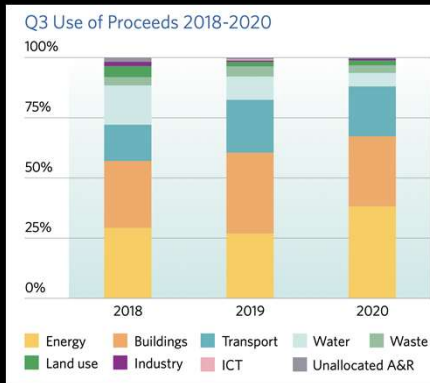


TAXONOMY COMPLIANT ASSET

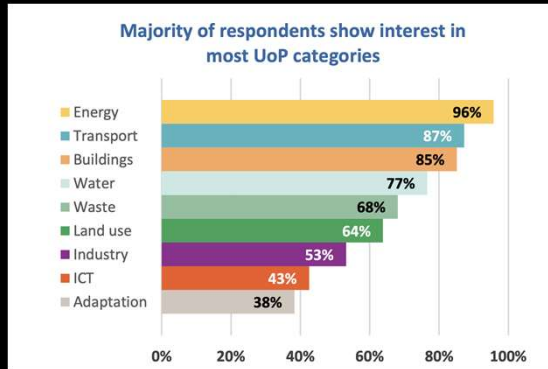


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AS A RESULT



Source : Green Bond Market Summary Q3 2020



Source : Climate Bond Initiative, European Investors survey 2019

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LEADING TO ...

THERE IS NO EMPIRICAL EVIDENCE THAT GREEN BOND ISSUANCE ACTS AS A CATALYST FOR ACHIEVING LOWER COST OF CAPITAL

THERE IS NO EMPIRICAL EVIDENCE THAT REAL ESTATE GREEN BONDS ARE THE MOST EFFICIENT SOURCE OF CARBON NEUTRALIZATION

SIGNALING SUSTAINABLE PERFORMANCE DERIVES MORE VALUE FOR GREEN BOND ISSUERS THAN EXECUTION

Source : Steer Center for Global Real Estate, Georgetown University, 2021 How Green are Green Bonds, Demystifying real estate green bonds decarbonization efficiency

1 EUR INVESTED IN A REAL ESTATE GREEN BOND IS 81X LESS EFFICIENT THEN THE SAME EUR INVESTED IN RENEWABLES

source : green-dividend.com

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YOU DO NOT SOLVE A **100 YEAR** CRISIS WITH
A **5 YEAR** BOND

(not even with a 10 year bond)

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IT IS NOT ABOUT **DATA**, IT IS NOT
ABOUT **REPORTING**, IT IS NOT ABOUT
INDIVIDUAL COMPANY OR ASSET
PERFORMANCE.

IT IS ABOUT **STEWARDSHIP.**

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More information available



RECAP Framework is available for download.

recap.wiki



alstria 2020 carbon accounts

www.alstria.com/carbon



More about the green dividend and the project we propose

www.green-dividend.com

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#ExpertsInConversation



ESG trends in real estate investment: key insights from the first study on sustainable real estate investment in Europe.



Ella Etienne-Denoy
CEO, Green Soluce

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ESG trends in Real Estate Investment

Best practices, drivers and challenges in Europe



Partners



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Scope of the study

A study first of its kind

10 unprecedented partnerships among European players

90+ real estate market players surveyed

25 interviews of leading real estate investors, fund managers and property companies

787 billion euros of real estate assets under management



Fig 1: Scope of the study and partners involved



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Scope of the study
A study first of its kind

15 European countries

3 Types of respondents



Fig 2: Survey contributors breakdown by type of respondent (Proportion of responses)

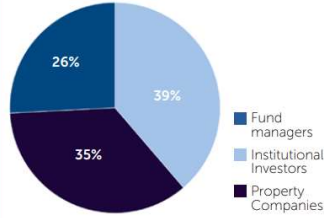


Fig 3: Survey contributors breakdown by geography (Proportion of responses)

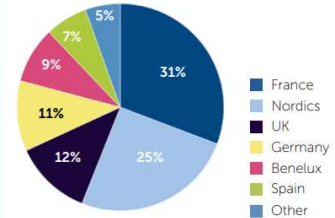


Fig 4: Survey contributors breakdown by type of respondent (By assets under management, as at end of 2019)

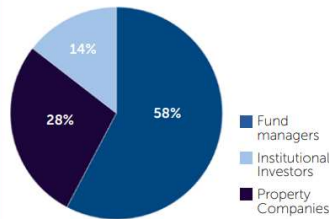
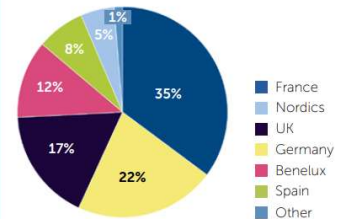


Fig 5: Survey contributors breakdown by geography (By assets under management, as at end of 2019)



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Challenges for ESG integration

Complexity of processes is the main challenge across regions

Fig 14: Classification of the top three main barriers for ESG integration for all types of respondent by region

	France	UK	Germany	Benelux	Nordic countries (Denmark, Norway, Sweden & Finland)	Spain
Challenge 1	Complexity of processes 	Complexity of processes 	Lack of normative framework 	Complexity of processes 	Complexity of processes 	Lower return on assets
Challenge 2	Cost of the project €	Lack of normative framework 	Lack of consistency between national and EU regulation 	Lower return on assets 	Lack of normative framework 	Complexity of processes
Challenge 3	Training and awareness-raising of stakeholders 	Cost of the project €	Lower return on assets 	Lack of normative framework 	Cost of the project €	Cost of the project €



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Drivers for ESG integration

Investor demand is the leading driver for ESG integration in Europe, followed by lowering risk

Fig 16: Classification of the top three main drivers for per country based on the average of answers

	France	UK	Germany	Benelux	Nordic countries	Spain
Driver 1	Lower risk 	Investor demand 	Investor demand 	Investor demand 	Investor demand 	Tenant attraction
Driver 2	Enhancing and protecting values 	Lower risk 	Compliance with existing or anticipated European government policy 	Lower risk 	Lower risk 	Enhancing and protecting values
Driver 3	Investor demand 	Enhancing and protecting values 	Compliance with existing or anticipated local government policy 	Enhancing and protecting values 	Compliance with existing or anticipated local government policy 	Compliance with existing or anticipated local government policy

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Prospective ESG trends for real estate investment (1/4)

Regulations drive sustainable best practices within the real estate sector

Key challenges:



Harmonisation and convergence between local and European regulation frameworks



Time and human resources to meet the increasing reporting requirements



Educational work with legislators to explain the specificities of real estate compared to other asset classes



Promote a positive vision of the regulation



Focus the regulation on the existing stock

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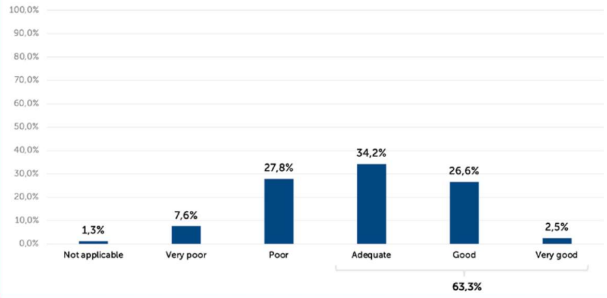


Prospective ESG trends for real estate investment (2/4)

European taxonomy: different levels of understanding and expectations towards the European taxonomy

- 58% of the respondents have started preparing for the European Taxonomy
- There is a consensus among the market players that the European taxonomy will move the real estate sector forward by defining a single market standard and a unified approach.

Fig 18: Overall level of understanding of the implications for real estate investment of the European taxonomy project



Main limitations of the European taxonomy according to the real estate market players are (as at February 2021):

- Focuses on energy instead of carbon and does not take into account the entire life cycle of the building
- Focuses on the financing of new buildings and not on existing buildings
- Imposes excessively high requirements and little incentive
- Its application varies according to local legislation

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Prospective ESG trends for real estate investment (3/4)

The ability to upgrade the existing stock is identified as the most valuable initiative to address the carbon issue

Key challenges:



Reducing embedded carbon



Achieve carbon sobriety by 2050



Renovation of the existing real estate stock



Stringent regulation and harmonisation at European level

Initiatives:



Decarbonisation solutions



Passive solutions



An efficient carbon tax



The EU-funded research project CRREM



The Net Zero Carbon Building framework

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Prospective ESG trends for real estate investment (4/4)

Real estate stakeholders have made the data management a strategic priority

Key challenges:



Frameworks with different expectations



Heterogeneous quality, reliability, completeness, consistency and comparability of the data



Need for clear guidelines from the regulator

Initiatives:



Environmental data collection policy



Working with counterparties to ensure the reliability of the data



Real-time data systems and big data technologies



Digital twin of the building



ESG trends in Real Estate Investment - 2021 Edition 9

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ESG trends in Real Estate Investment

Best practices, drivers and challenges in Europe

Full study available here <https://www.greensoluce.com/gs-ieif-esg-trends-study-2021/>
from May 6th 2021 to October 6th 2021



Partners



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Future webinars:

- | | | |
|---------|--|-----------------------------------|
| 28 July | The office is dead, long live the office: PropTech's golden opportunity
Explore the potential consequences of widespread remote working on the future of the office | 16:00-17:00 BST / 11:00-12:00 EDT |
| 25 Aug | The Intelligent Cities Challenge
Explore the future of smart, sustainable urbanisation | 16:00-17:00 BST / 11:00-12:00 EDT |
| 29 Sept | Sidewalk Labs and Toronto Waterfront: A cautionary smart city tale?
Launched to great fanfare in 2017, the Sidewalk Labs Toronto Waterfront plan was supposed to mark a new era of intelligent and sustainable urbanisation. So why did the project fall short and how can the experience inform smart city projects globally? | 16:00-17:00 BST / 11:00-12:00 EDT |
| 08 Dec | WBEF 2021: The year in review
A series of short conversations with WBEF contributors. Get to the heart of the topics that have captured the imagination of our community this year – and look ahead to 2022. | 13:00-14:00 GMT / 17:00-18:00 GST |

For full details and to register or to watch any previous webinars visit rics.org/wbefwebinars

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Sustainability Services for organisations

RICS can help organisations become more knowledgeable of sustainable property management through RICS communities and training and development packages. Please email spadhiar@rics.org for further details (please specify your country).

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