



2nd edition

April 23, 2024
LAC – Lugano

14.30 – 15.00 ESG in Real Estate

Performance Management, Reporting and Benchmarking

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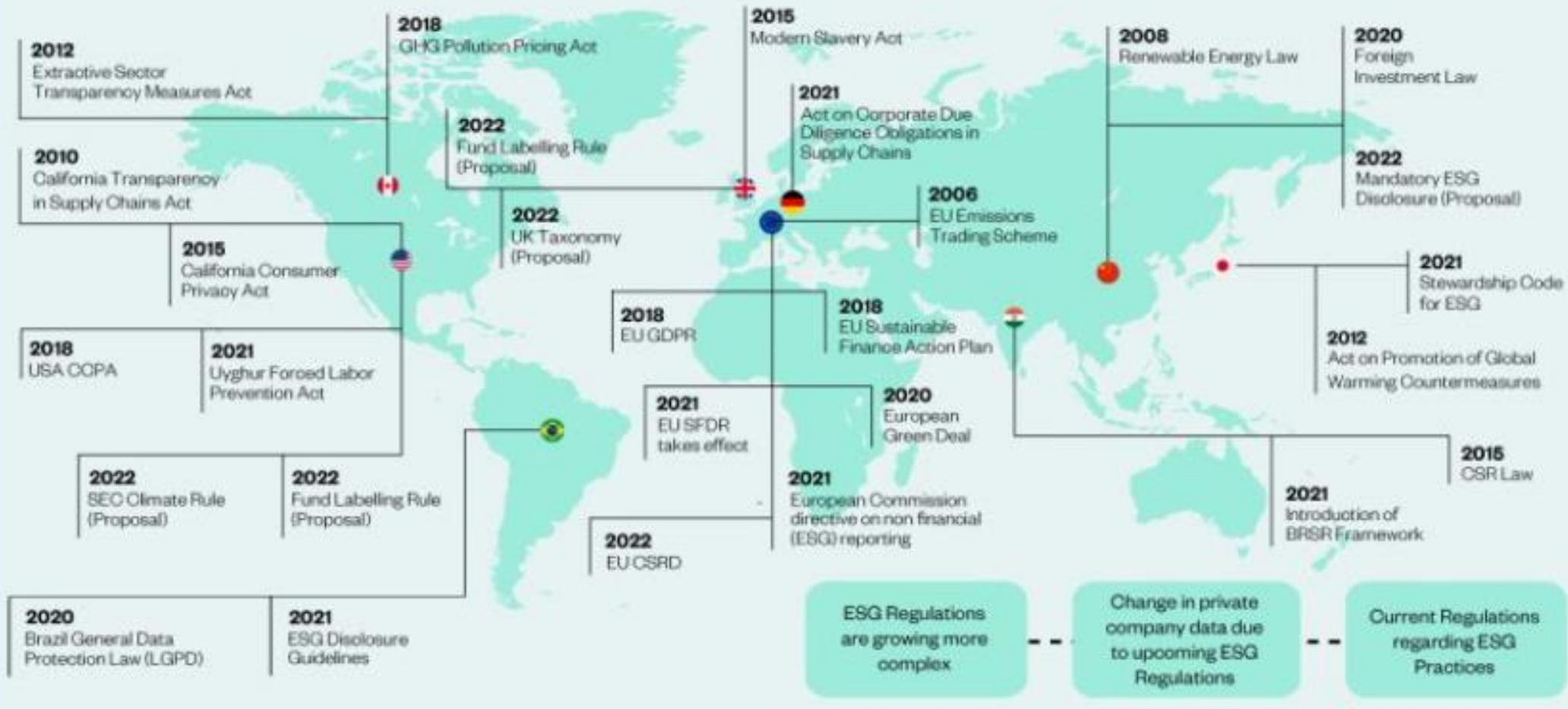
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ESG related regulations are increasing globally

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Evolution of Sustainability Regulations since 2022



INTERNATIONAL SUSTAINABILITY STANDARDS BOARD (ISSB)
The International Sustainability Standards Board (ISSB) releases two standards in June 2023
IFRS S1: General requirements for disclosure of sustainability-related financial information
IFRS S2: Climate-related disclosures



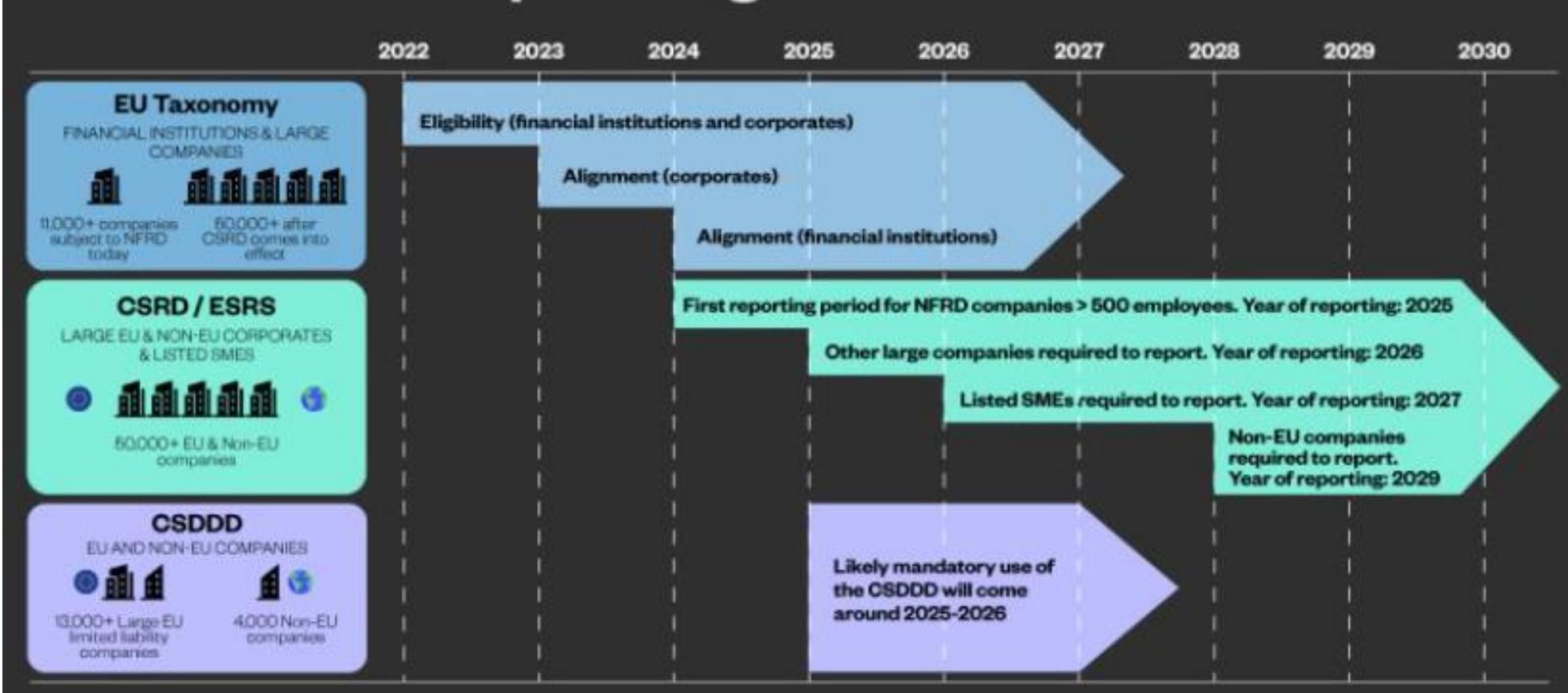
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A timeline of European Regulations





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Given the continued impacts of climate change, increased public awareness around social factors, and companies of all sizes being held to higher governance standards, ESG has become top of mind also for the real estate market.

The building and construction industries contributes ??% of global annual carbon emissions

(Source: the 2022 Global Status report COP27 and the World Green Building Council)



The building and construction industries contributes 40% of global annual carbon emissions

- 28% from operational emissions from energy needed to heat, cool and power them
- 12% from materials and construction (concrete and steel)

(Source: the 2022 Global Status report COP27 and the World Green Building Council)

ESG in Real Estate

The [World Economic Forum \(WEF\)](#) has outlined a series of ambitious milestones for achieving net zero emissions by 2050. But are these steps feasible, and are we currently on track to meet this goal?

The WEF's roadmap breaks down the key milestones by sector and year. Here are some of the key highlights:

* Buildings: By 2030, all new buildings should be zero-carbon ready. By 2040, 50% of existing buildings need to be retrofitted to zero-carbon standards.

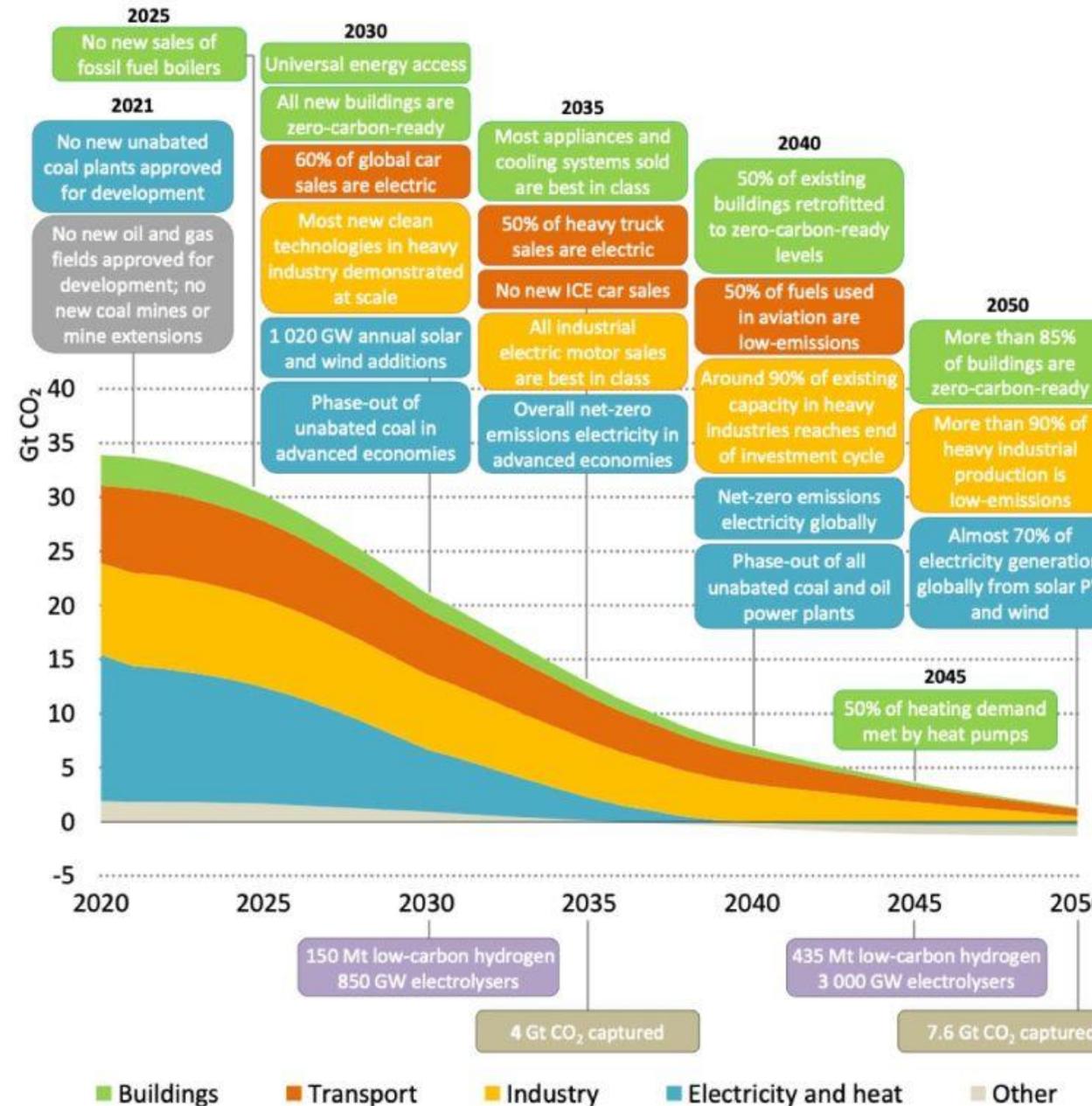
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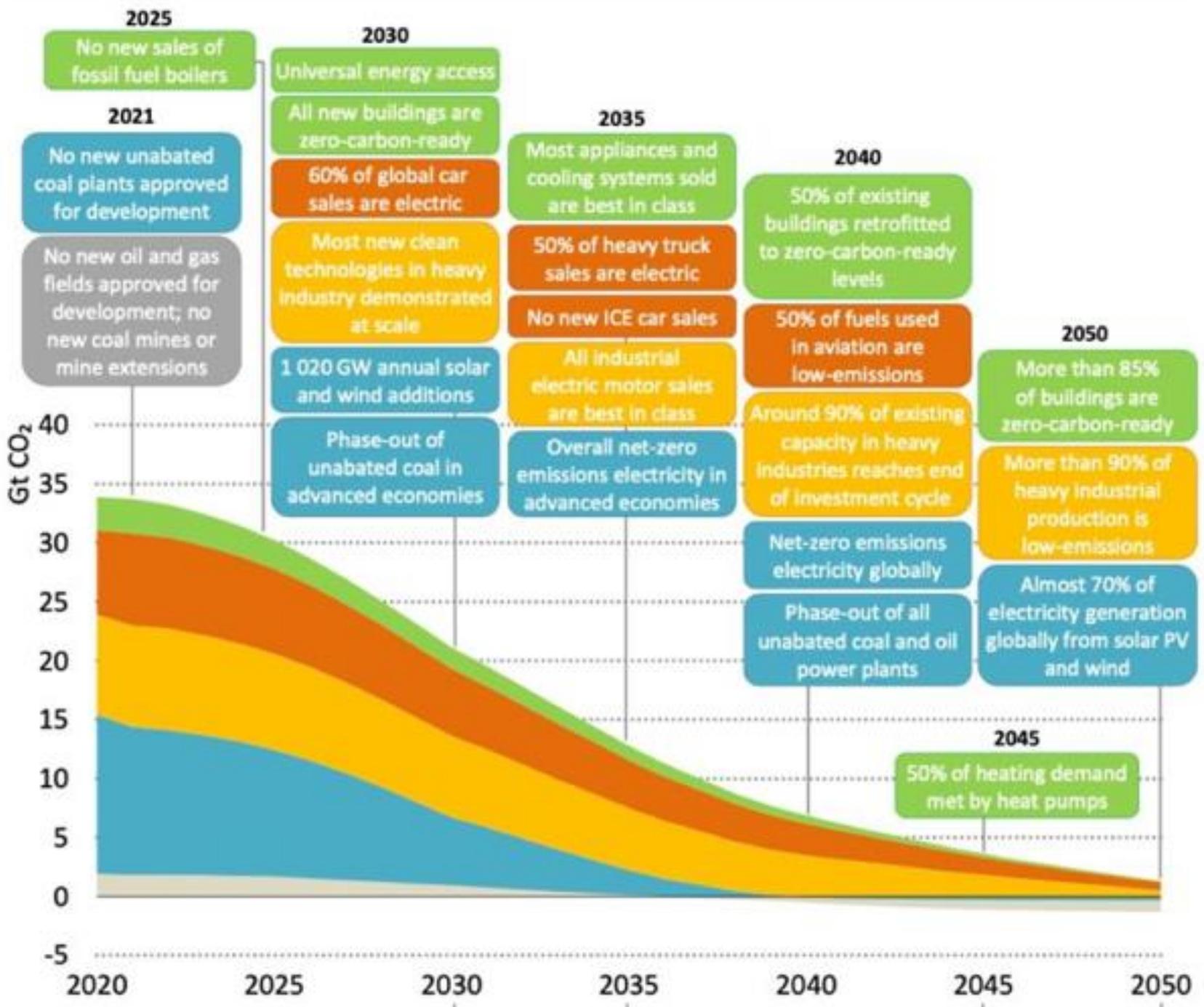
Figure 4.1 ▶ Selected global milestones for policies, infrastructure and technology deployment in the NZE



ESG in Real Estate

Zero-carbon-ready building

is highly energy-efficient and either uses renewable energy directly or uses an energy supply (e.g. electricity or district heating) that will be fully decarbonized by 2050.



ESG IS STRATEGY



ENVIRONMENTAL

Increased value for sustainable properties by reducing carbon emissions.



- Green buildings are becoming premium assets resulting into sustainability premium (“brown discount” as lower value)
- Green building materials; advantage timber against steel and concrete (carbon sequestration).
- Regulatory requirements will tighten, affecting property owners.
- Effective risk management can improve resilience (severe weather causing substantial property damage). Global property insurance premiums have increased by double-digits in the last few years as real estate portfolios suffer physical damage from natural disasters.

SOCIAL

Real estate has a significant social and health impact on the communities.



- *Affordable housing creates “impact investing” opportunities.*
- *Health & wellness is influencing building design.*

Developers and architects are incorporating health and wellness into a building design by considering factors such as proper ventilation and air filtration to improve indoor air quality, access to natural light, good acoustics, thermal comfort, access to nature, fitness and recreation facilities, and the use of low-toxicity and low-VOC materials and finishes.

GOVERNANCE

With governments and shareholders demanding greater transparency and reporting governance practices should go beyond minimum compliance with relevant regulations.



Corporate social responsibility is essential to good governance.

Corporate social responsibility (CSR) increasingly influences corporate governance practices. It includes creating a corporate culture with shared values that help a developer's employees and the communities and promoting equity, diversity, and inclusion. The real estate development industry governance also includes enhancing transparency and decision-making, particularly regarding progress towards ESG goals. Other policies under this governance include vendor selection and treatment and tenant engagement and relations.

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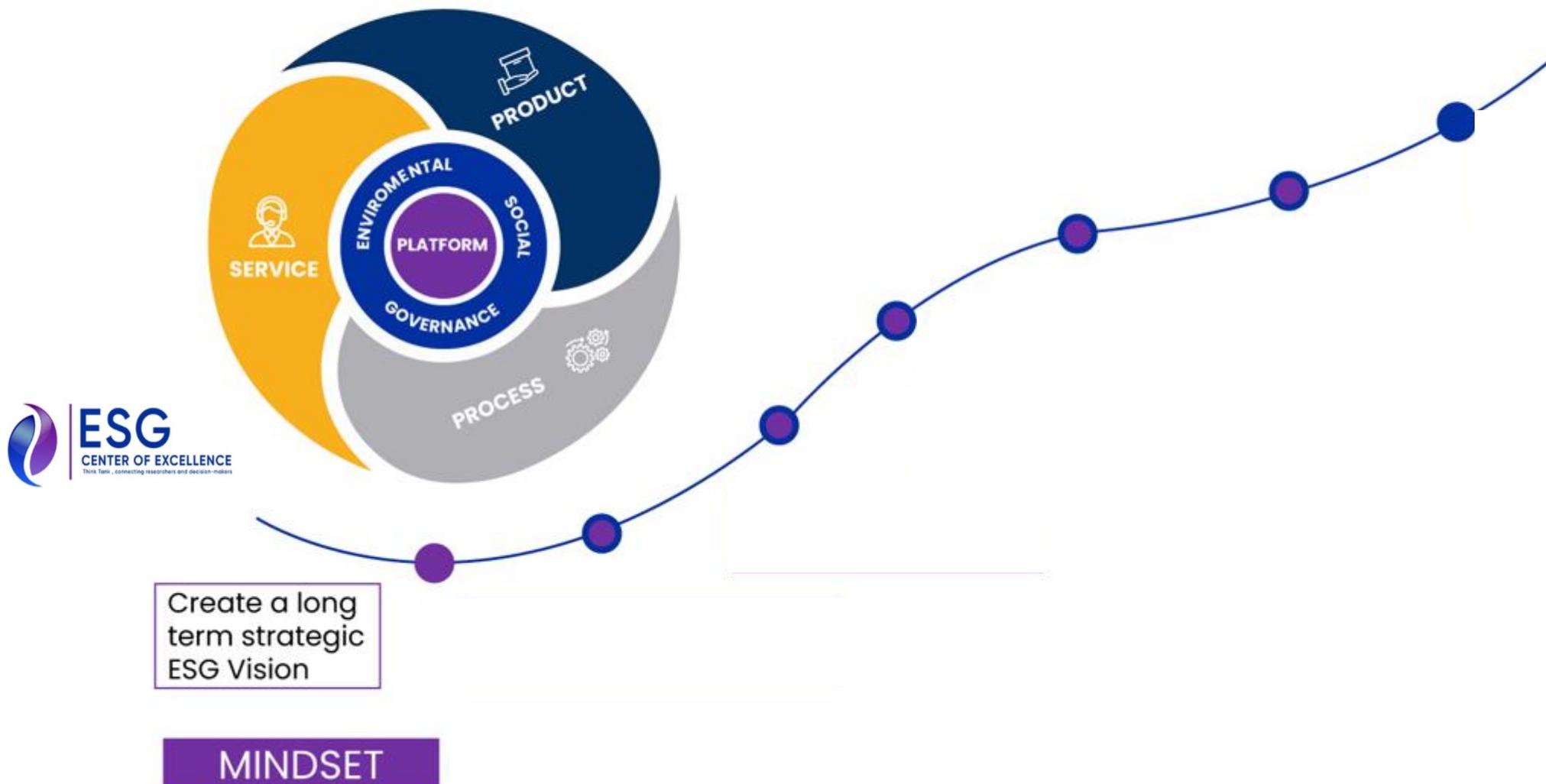
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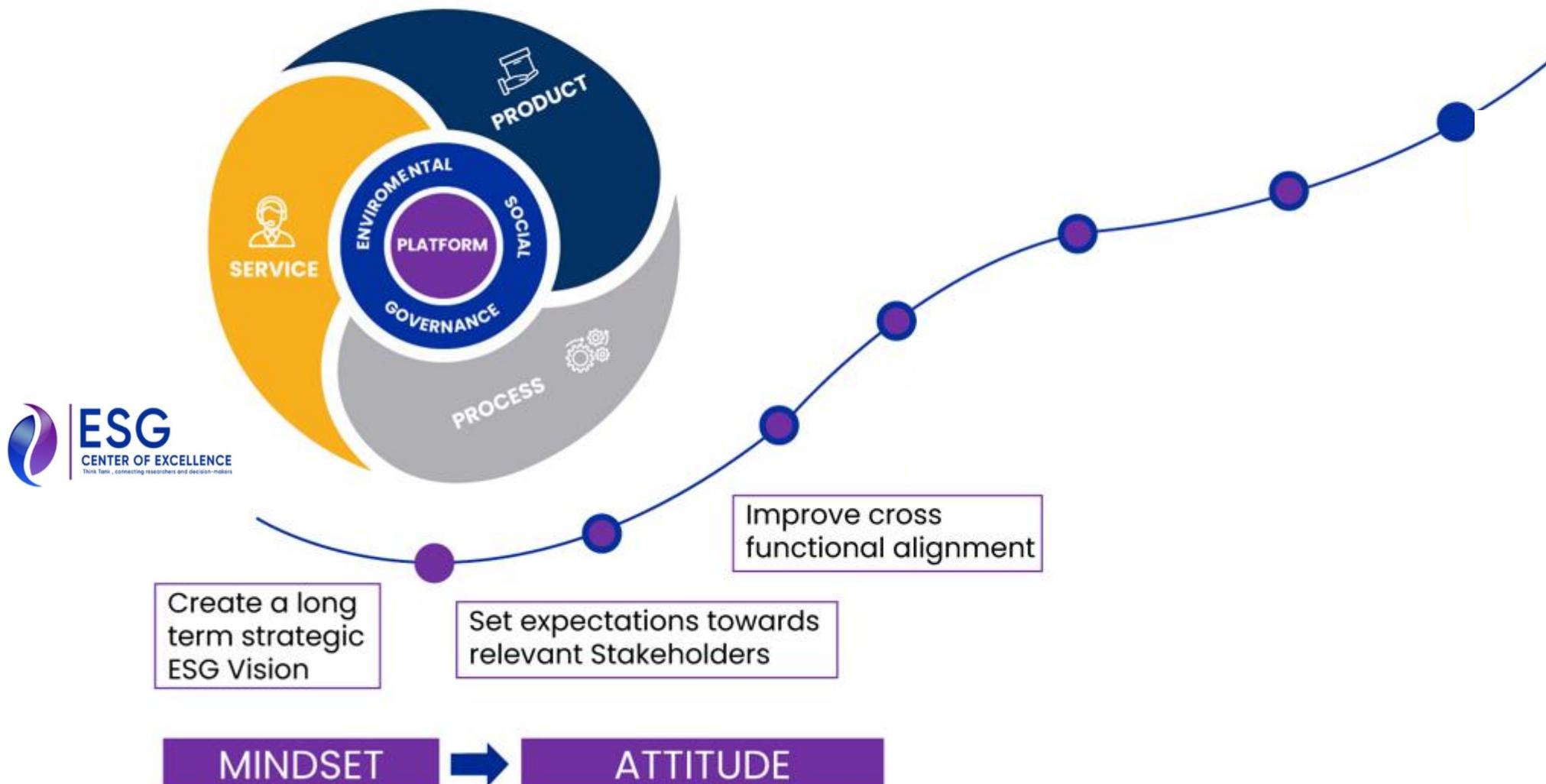
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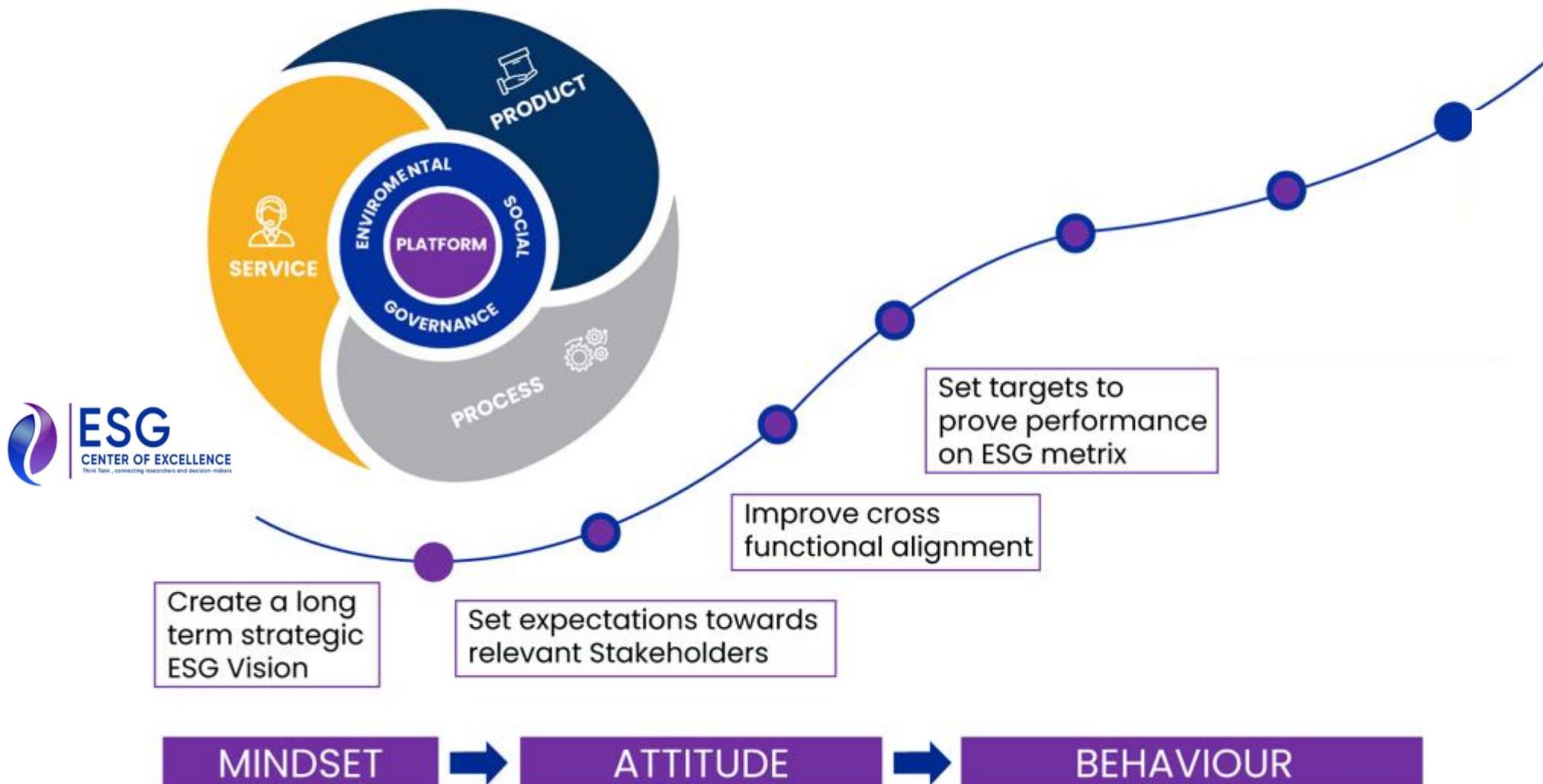
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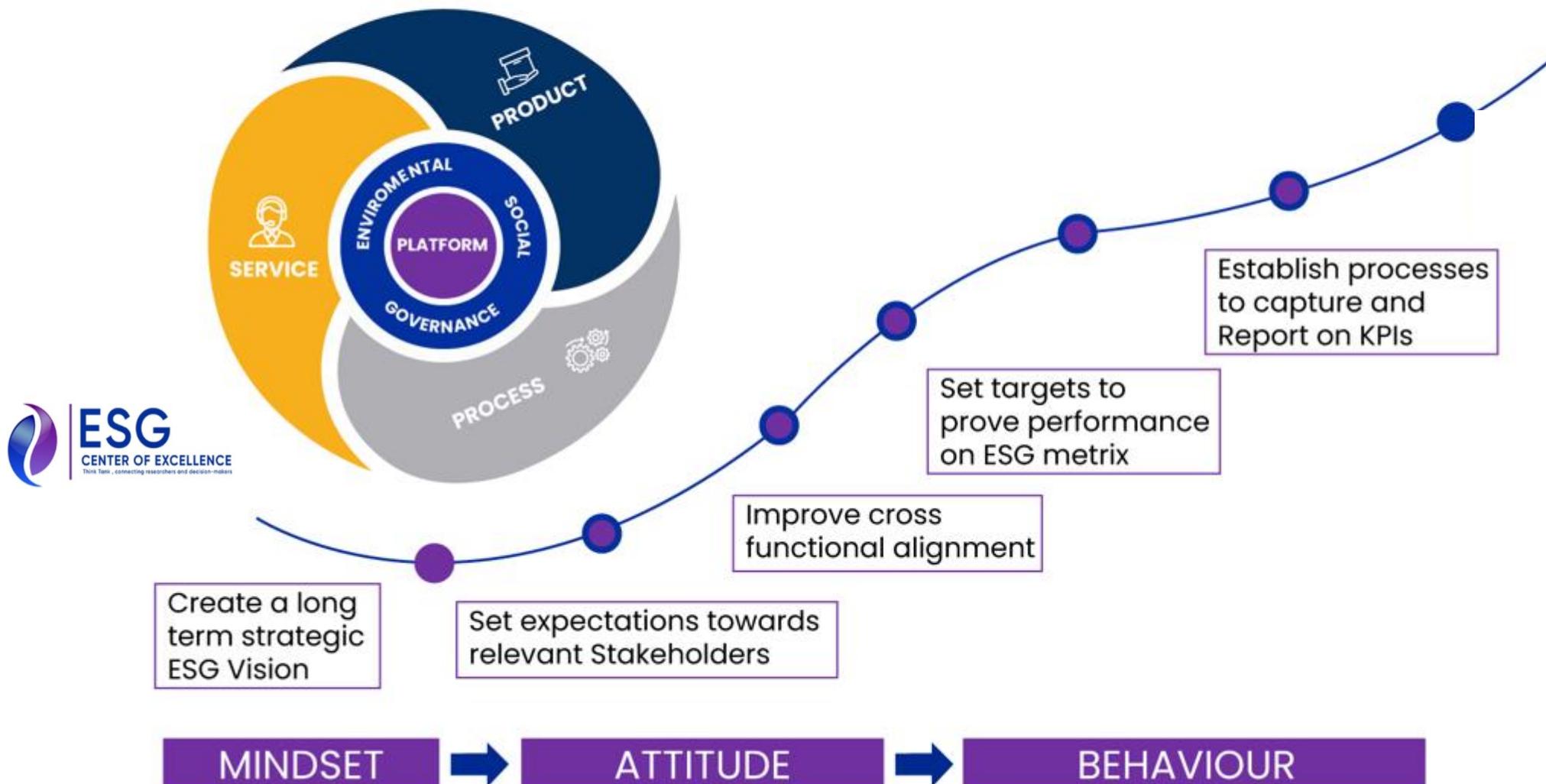
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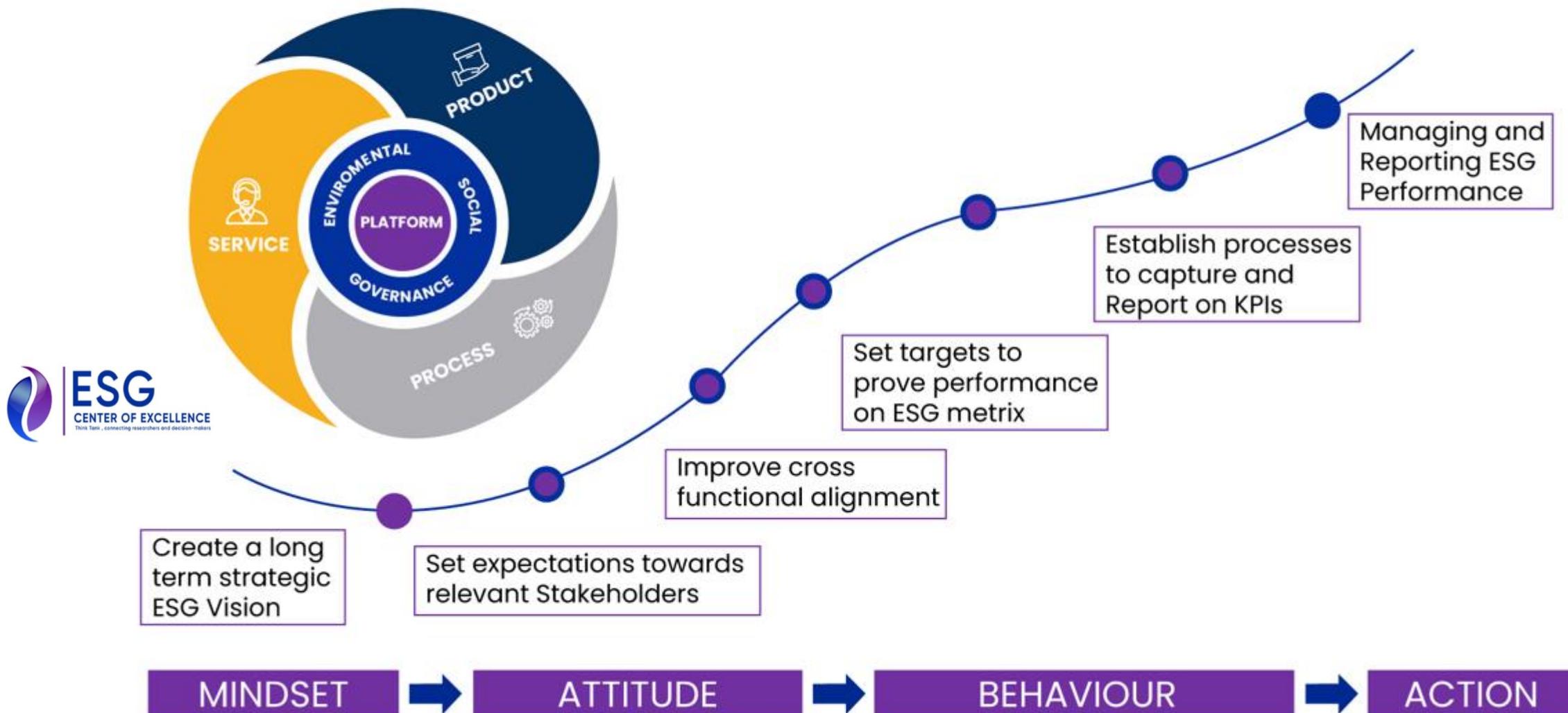
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ESG in Real Estate

Technology is vital to achieving ESG goals.

- Technology plays a crucial role in helping developers collect and report on ESG data and create long-lasting change in their practices and developments.

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ESG Real Estate Rating:

- one example is ECORE scoring, which was created in 2020 by the industry initiative ECORE (ESG – Circle of Real Estate) specifically for the real estate market. This is a scoring system that is divided into three areas: governance, consumption & emissions, and asset check.

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Benchmarking and reporting will become essential.

- Developers use benchmarking tools such as the Global Real Estate Sustainability Benchmark (GRESB) to monitor and evaluate asset-level ESG performance. GRESB collects and compares data on the ESG performance of real estate and infrastructure entities and assigns a score and rating to measure and rank their performance among their peers.



Conclusion

ESG factors are important considerations in real estate development. They address critical issues like climate change, social justice, and ethical business practices. ESG is now being considered at every stage of the development process, including due diligence, site acquisition, design, and construction.



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As occupiers and investors become more interested in environmentally friendly properties, this trend is expected to preserve asset value and increase the value of sustainable properties. Investing in ESG can also help to reduce a developer's risk profile and improve its reputation.