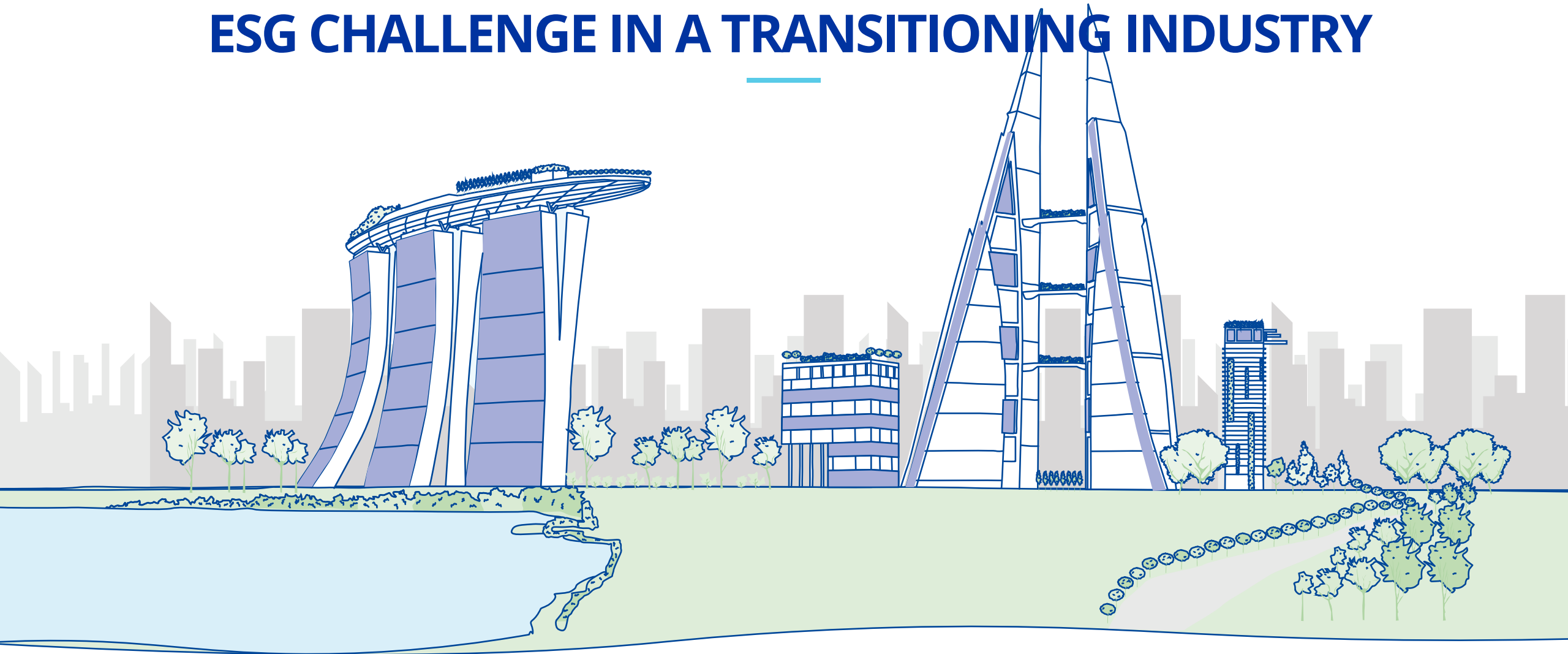


ESG CHALLENGE IN A TRANSITIONING INDUSTRY

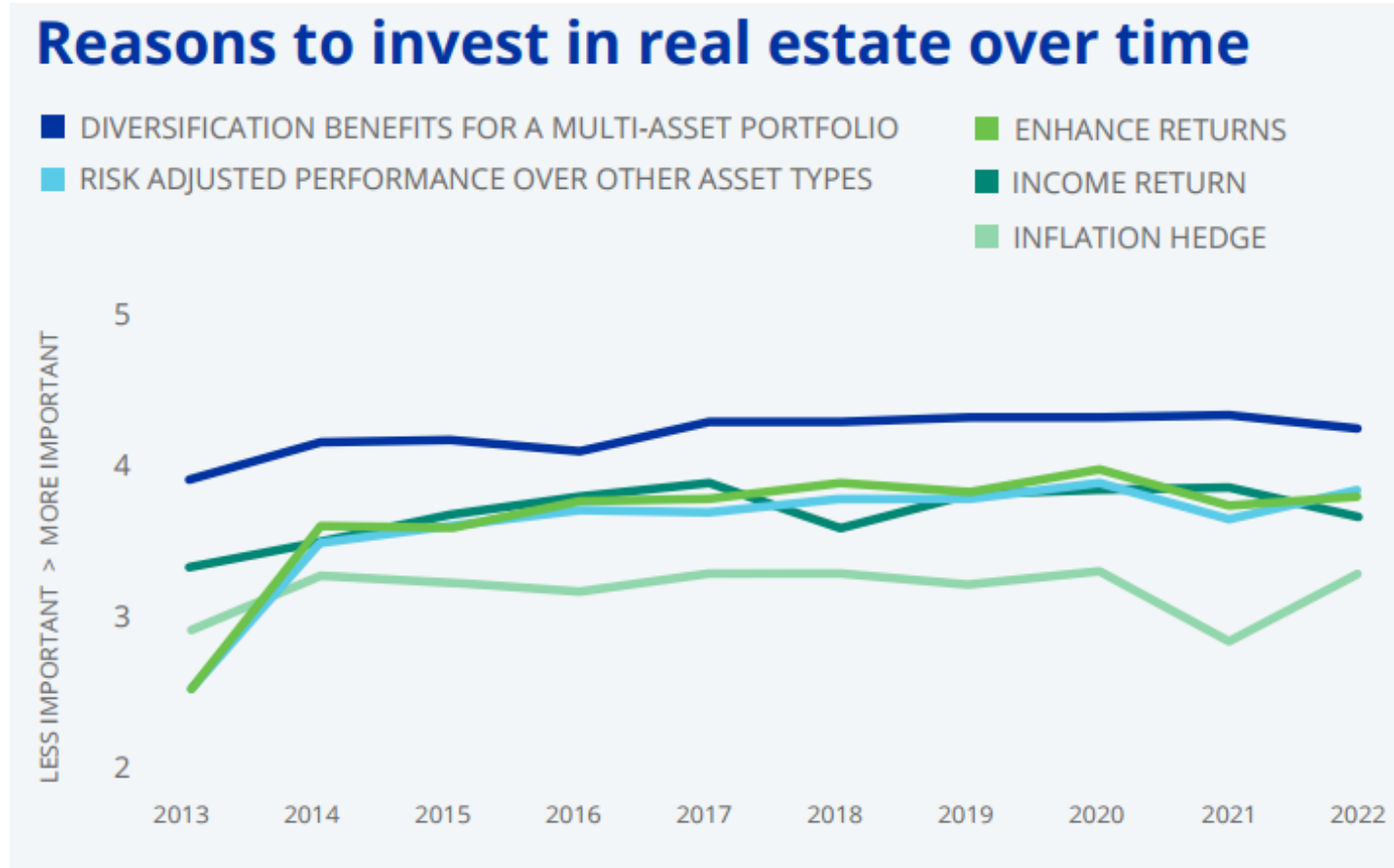


CEE Summit, Warsaw
28 April 2022

Iryna Pylypchuk
INREV

Reasons to invest in real estate

Consistency of rankings over time



ESG considerations when investing into non-listed funds



68%

NET ZERO CARBON COMMITMENT



87%

ENVIRONMENTALLY/
SOCIALY RESPONSIBLE INVESTMENTS



66%

DIVERSITY, EQUITY AND INCLUSION PROGRAMME

% OF RESPONDENTS THAT CONSIDER THESE CHARACTERISTICS BEFORE INVESTING

ESG challenge in a transitioning industry

INREV's ESG Agenda

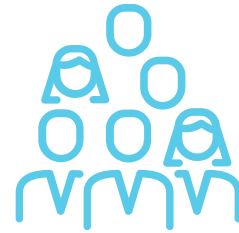
- Emphasise importance of **ESG goals and performance** at both a vehicle and asset level
- Build up and provide access to **market / industry level data**
- Provide **best practice** on the structure, policies and regulations that impact investments
- Increase awareness of **governance and social aspects** that impact the industry
- Promote **common standards** of governance for non-listed real estate vehicles

ESG with all Aspects



Environmental

- Energy Consumption
- GHG Emissions
- Water Consumption
- Waste Management
- Building Certifications



Social

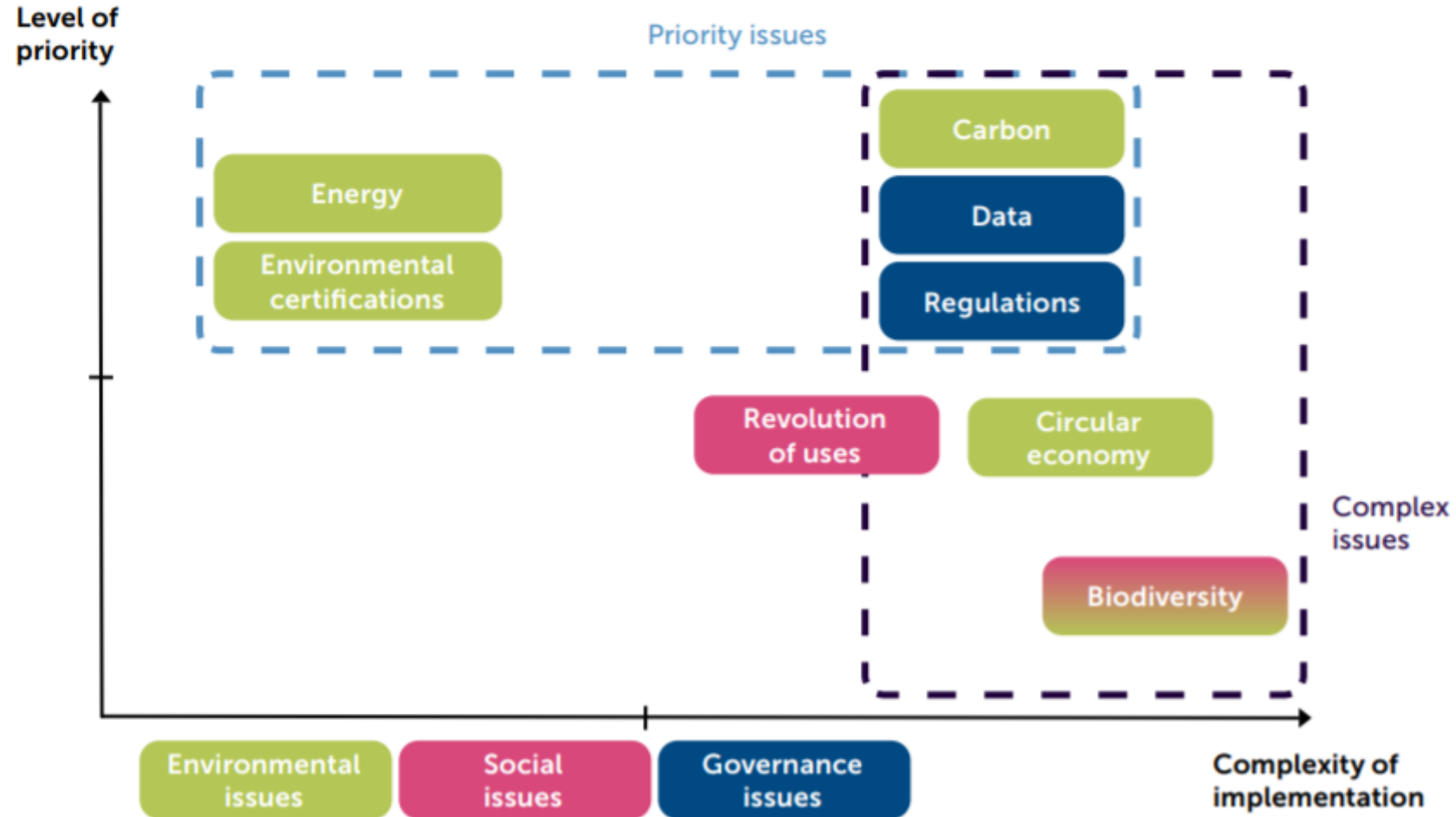
- Stakeholder Engagement
- Health and Safety
- Employee Engagement
- DEI



Governance

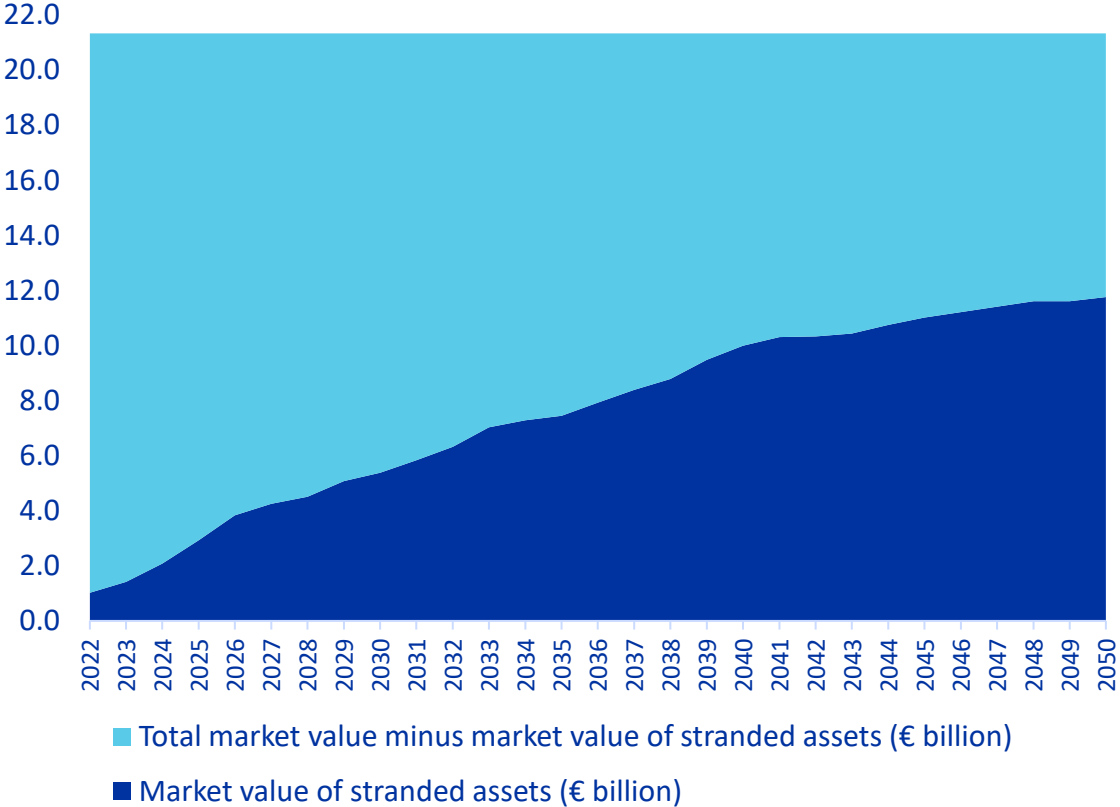
- Shareholder Rights
- Transparency
- Accountability
- Board Structure

ESG trends for real estate investment in Europe

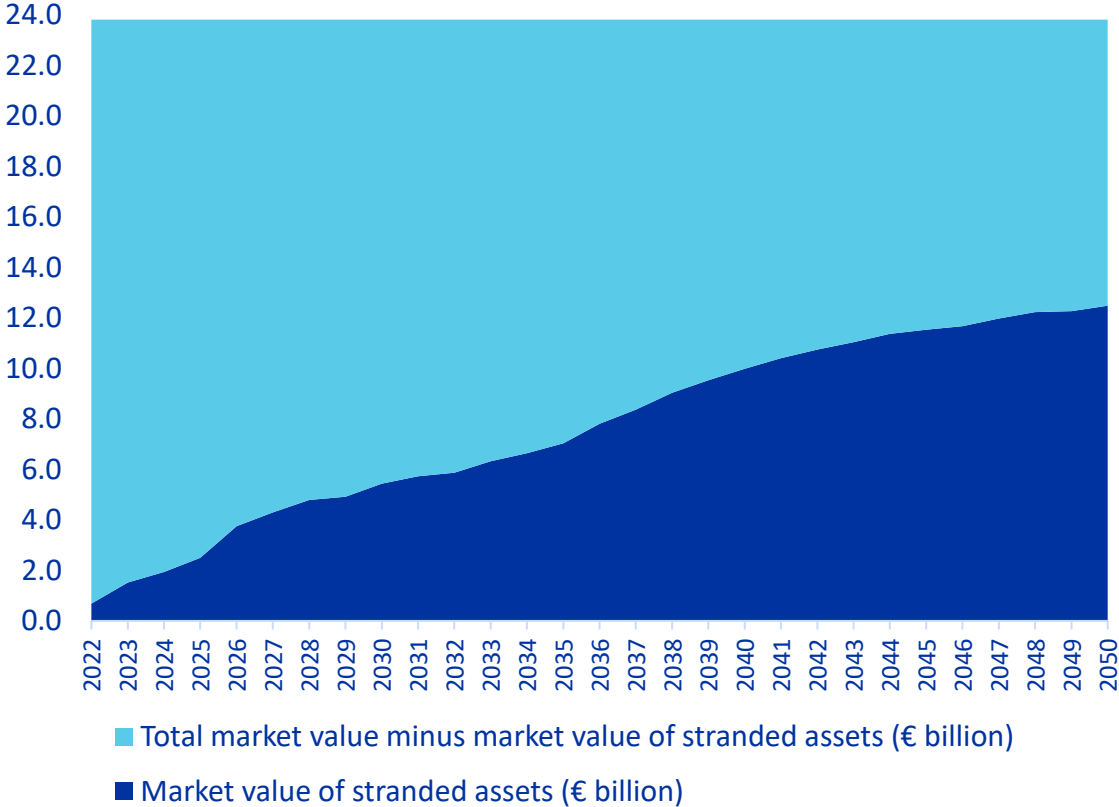


Accumulated market value of stranded assets in Europe

Market value of stranded asset in Europe in € billion in terms of **energy use intensity in 2020**



Market value of stranded asset in Europe in € billion in terms of **carbon intensity in 2020**



Source: INREV Asset Level Index Sustainability Data, preliminary 2020 results CRREM

Real estate plays a crucial role in EU decarbonization efforts

New regulatory initiatives: EU SFDR, EU Taxonomy, FCA's climate related disclosures

With regards to real estate, net zero carbon is when the carbon emissions emitted as a result of all activities associated with the development, ownership and servicing of a building are zero or negative.

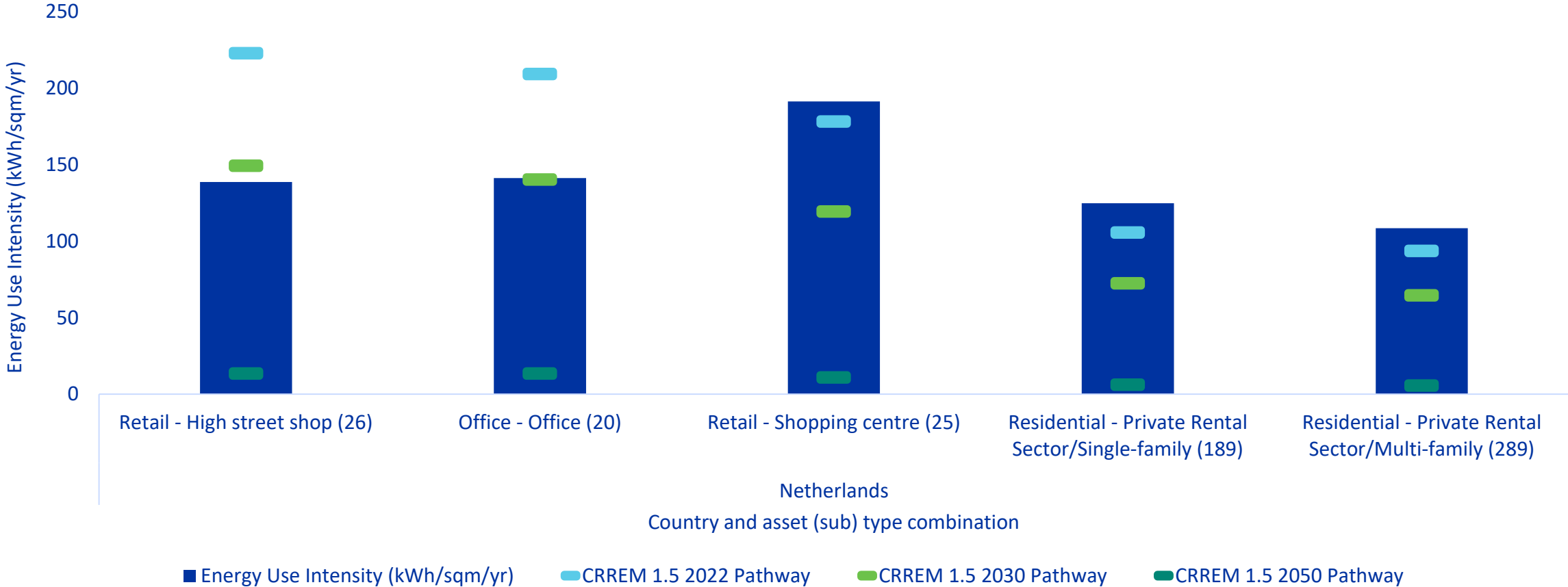
- Global energy-related emissions need to be **net zero by 2050**
- Buildings are responsible for about **40% of the EU's total energy consumption**
- and for **36% of EU's greenhouse gas emissions from energy***
- **In several cities in Europe, the impact of emissions from real estate is much larger**

Source: INREV: The Impact of Net Zero Carbon, 2021

* Boosting building renovation for climate neutrality and recovery - European Commission, 2020

Insights into industry energy intensity compared to CRREM Pathway

Average energy use intensity Netherlands by sector in 2020 compared to CRREM pathways



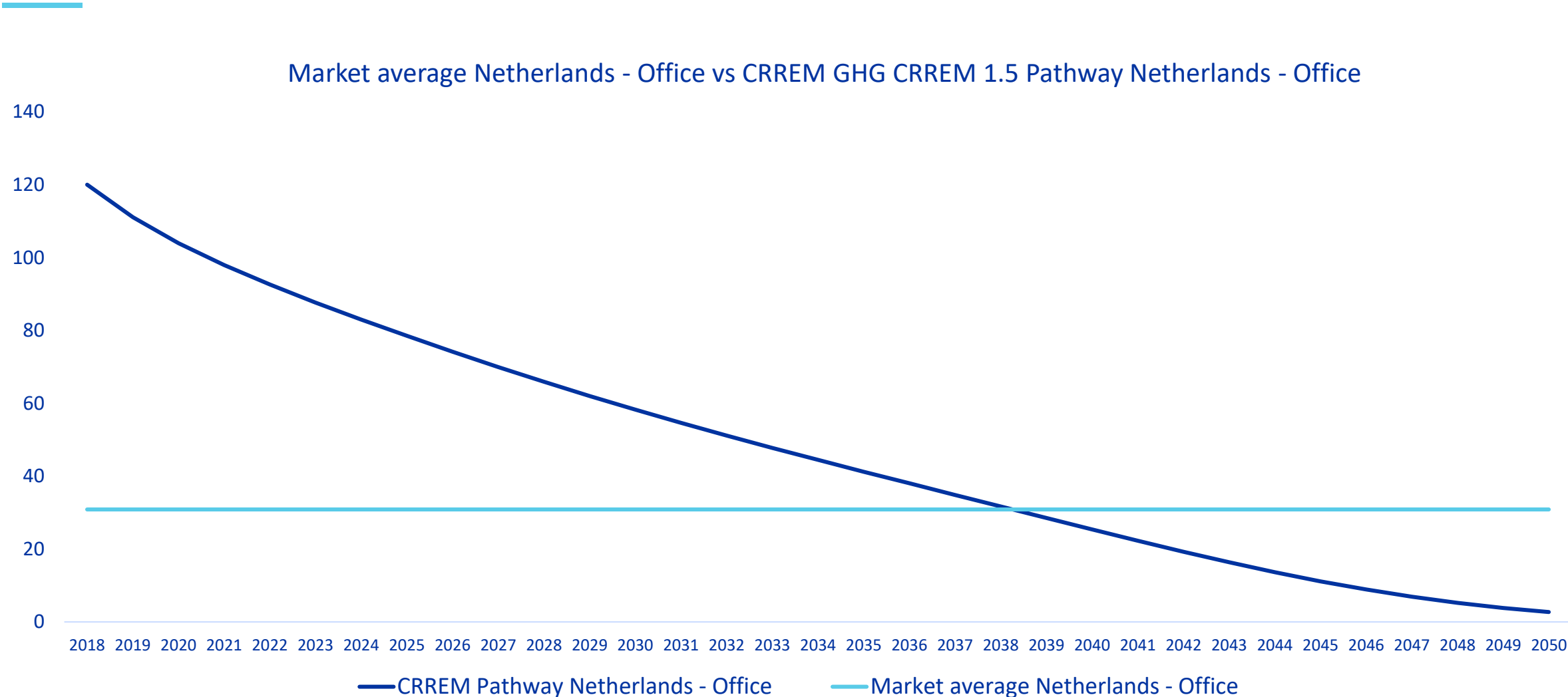
Source: INREV Asset Level Index Sustainability Data, preliminary 2020 results
CRREM

Similar for carbon intensity



Source: INREV Asset Level Index Sustainability Data, preliminary 2020 results
CRREM

Market average vs CRREM Pathway

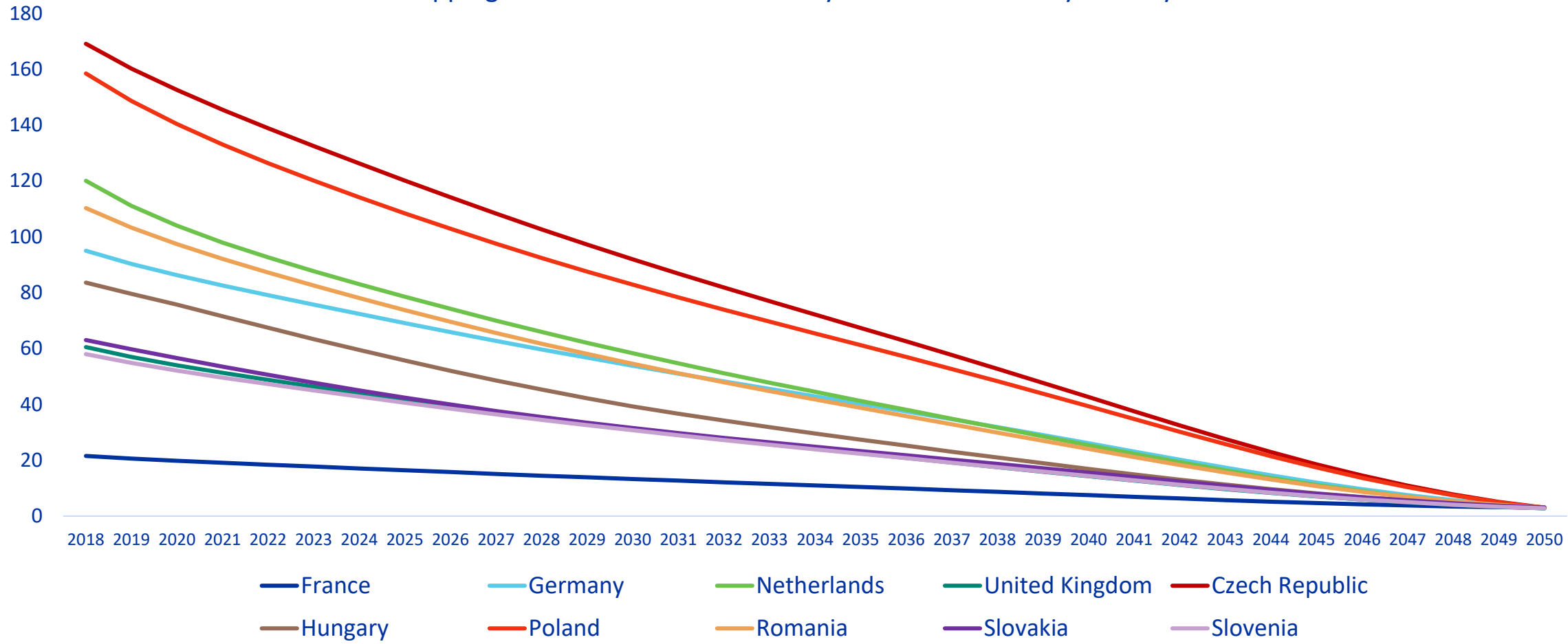


Source: INREV Asset Level Index Sustainability Data, preliminary 2020 results
CRREM



CRREM Pathways for selected countries, including CEE

Mapping of GHG 1.5 CRREM Pathways for office assets by country



Source: CRREM



THANK YOU



INREV

How to set a net zero carbon target?

While there is uncertainty as to **how net zero carbon** will either positively or negatively **affect the value of specific buildings**, the overall trend suggests an **increased demand for leased space in buildings that are managed in accordance with a net zero carbon target.**

- 1 Define a net zero carbon strategy. This includes timeline, scope and ambition.
- 2 Create a business case. This involves calculating the investment needed to achieve net zero carbon and the expected return on investment (ROI). This is likely to require a combination of building level audits and cost and return assumptions based on published reports and external advice.
- 3 Develop a clear and suitable methodology to incorporate an assessment of net zero carbon costs and ROI into underwriting. This entails setting realistic timescales for the conversion of buildings to net zero carbon.

- 4 Establish a measurement framework and baseline carbon footprint. Identify data gaps and develop a strategy to gather missing data.
- 5 Implement actions to achieve net zero carbon through asset management and in the due diligence process when acquiring new assets and/or divesting existing assets.
- 6 Regularly monitor, disclose and verify implementation of the net zero carbon strategy.
- 7 Continuous improvement of the net zero carbon strategy.

How to achieve a net zero carbon target?

Implementing a net zero carbon strategy should be **guided** by the following hierarchy of actions, including but not limited to*:



Minimise the operational carbon (energy, water & waste).



Minimise embodied carbon associated with capital goods, services, and capital works.



Explore on-site renewable energy generation.



Neutralise residual carbon emissions by purchasing high-quality carbon offsets.¹⁰



Procure off-site renewable energy, for example renewable energy certificates.

Net zero carbon targets are relevant to all investors, investment managers and investment vehicles, but each will have to tailor it to their specific investment management strategy and their planned holding period.

INREV ESG Framework

Closely monitoring developments and working with dedicated committees to shape the industry approach on ESG

Well-established INREV ESG framework:

- Sustainability reporting guidelines
- Governance module
- DDQ
- Asset Level Index – Sustainability KPI metrics
- Impact Investing
- Net Zero carbon

