

## Groundwork in place for improved sustainability efforts

- ▶ Industry has strong policy focus but must improve implementation
- ▶ Best practice role models are provided by 26 Green Star rated funds
  - ▶ Industry dedicates senior management time to the topic
- ▶ Funds need to plan better risk management for sustainability impact

RESEARCH

The European non-listed property funds industry is laying the groundwork for an improved focus on sustainability, according to the results of the latest GRESB survey.

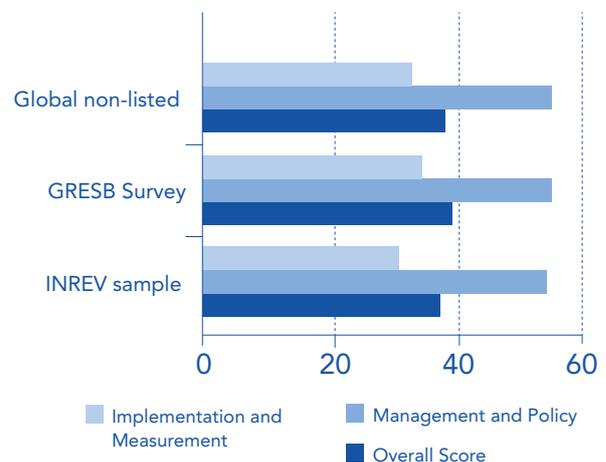
The survey, which provides focus and direction for the real estate sector by benchmarking sustainability performance, showed that the European non-listed property funds industry has a strong focus on policy and is well-placed to improve its implementation of sustainability initiatives.

The sample of INREV member funds included in the survey scored on average 37%, which measured funds' progress across a number of key sustainability aspects. This result was in line with the global non-listed sample and the overall survey sample, referred to as the GRESB survey, at 39% and 38% respectively.

When this score was broken down into the two further dimensions, which reflected an emphasis on policy or implementation, the INREV sample scored 55% and 33% respectively, demonstrating that the industry is in an educational and preparation phase when it comes to sustainability.

There is some evidence of best practice with 26 funds or 12% of the INREV sample achieving a "Green Star"

OVERALL SCORES AND FOCUS ON POLICY AND IMPLEMENTATION



Source: GRESB

rating, which demonstrates best practice in both policy and implementation. This slightly trails the global non-listed sample with 16% awarded the same rating and 19% of the overall sample which also includes listed property companies.

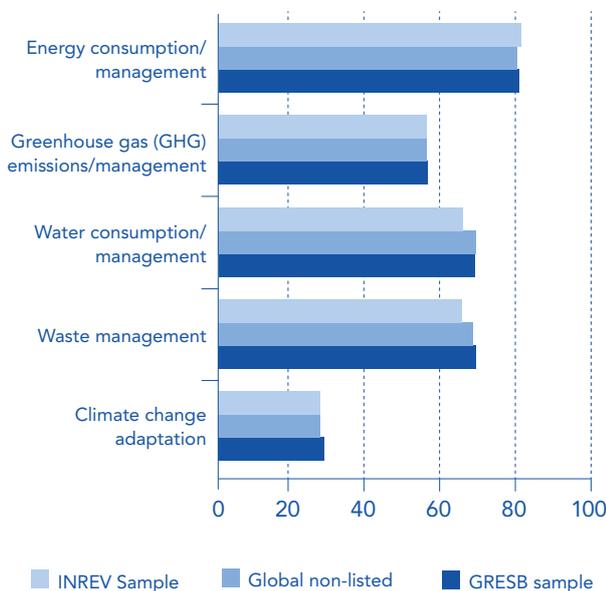
One of the strongest areas for INREV members is its commitment of senior management time. Just over three quarters of the INREV sample has senior representation for sustainability on its highest management body,

outperforming the averages for both global non-listed and the GRESB sample.

The industry's strong reporting ethic also comes through in the survey results. Around 39% of the INREV sample reports to their highest management body on sustainability on a quarterly basis which is in line with the GRESB sample. However, a further 18.4% exceeded this by reporting on a monthly basis. For 6.9% of the INREV sample, there is currently no regular reporting to the highest board on sustainability, which is much lower than the GRESB sample of 17%.

A further example of the industry's groundwork to improve its sustainability practices is the high percentage of funds which have policies in place to monitor and guide on environmental issues. Energy consumption and management is the main focus for the INREV sample with 81.6% having a policy on this issue. Water and waste management are next in line with policies in place for 65.9% and 65.4% respectively. On these two issues, the INREV sample sits slightly behind global non-listed and the GRESB sample levels which are 69.6% and 69.2% for water management respectively and 68.5% and 69.2% for waste management.

#### POLICIES IN PLACE TO COVER SPECIFIC ENVIRONMENTAL ISSUES



Source: GRESB

However, the INREV sample could make improvements when it comes to understanding the possible impact of sustainability measures. It trailed when it came to performing sustainability risk assessments. For example, the topic of climate change risks is addressed by only 30% of the INREV sample. The majority of respondents focus on flood risk, although some are rethinking acquisitions and disposals based on the potential impact of climate change.

## OTHER KEY HIGHLIGHTS

- ▶ Funds are focused on tenant engagement
- ▶ Environmental management systems in place at asset level
- ▶ Focus on sustainability continues for new developments

The most likely risk monitoring is for regulatory changes at 58%. This is also a higher priority for the global non-listed sample at 62% and the GRESB sample at 64%. This is not surprising as regulation has driven many recent sustainability initiatives and funds are obliged to comply so will ensure they are informed of changes.

Regulation is also likely to have been a main driver when it comes to achieving recognised building certificates that provide tenants and investors with transparency about a property's energy efficiency or sustainability. Around 45% of the INREV sample's portfolio had energy certificates, well above the rates for global non-listed at 36% and the GRESB sample at 34%. This can be partly explained by the fact that energy performance certificates are obligatory in many European jurisdictions.

For certificates awarded by organisations such as LEED and BREEAM, the results of the survey show that just 10% of the INREV sample's portfolios have achieved certification. This is below the global non-listed and the GRESB sample's achievements which is 14%.

The INREV sample for this survey comprised 217 funds with a gross asset value of \$257 billion (€201 billion). The total sample size for the 2012 GRESB survey is 455 respondents globally representing \$1,336 billion (€1,046 billion) in assets under management. This included 359 non-listed property funds globally, representing \$651 billion (€510 billion).

The full report is available to members at [www.inrev.org](http://www.inrev.org)  
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