

Industry demonstrates continued commitment to sustainability

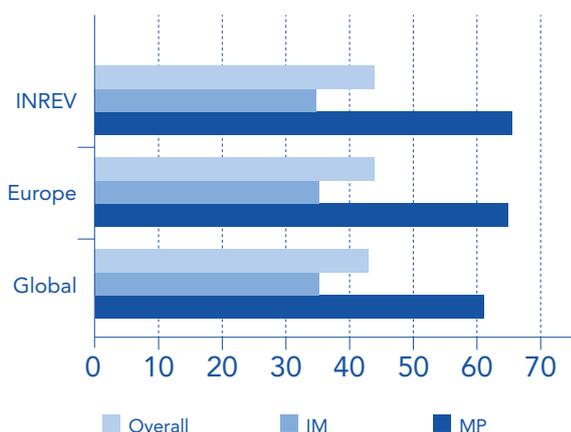
- ▶ Green Stars awarded to 17% of the INREV sample
- ▶ Funds committed to resourcing sustainability and aligning employees
- ▶ Further consistency needed for sustainability disclosure

RESEARCH

The European non-listed property industry is outperforming global averages in some aspects of sustainability but is still too heavily focused on policy, according to the results of the latest GRESB survey.

INREV's overall score for the management aspects is 66 out of 100, which is higher than the global average at 61. This result indicates that, at the policy level, the industry is making good in-roads compared with the average (Figure 1). For the implementation of these policies the INREV, the Global and the European sample, which includes both listed and non-listed, all scored 35. This shows there is plenty of room for improvement but that the INREV sample is in step with the market overall.

FIGURE 1: OVERALL SCORES AND FOCUS ON MANAGEMENT AND IMPLEMENTATION



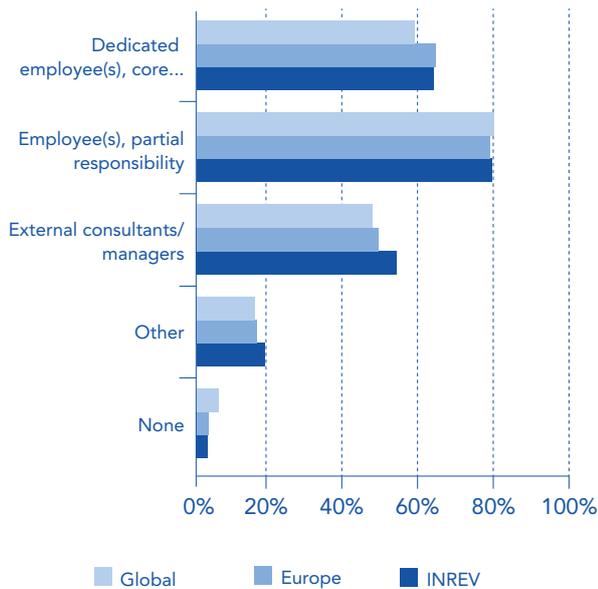
Across the INREV sample, there were 42 funds that achieved a Green Star, which represents 17% of the sample. This status means the funds demonstrated strong levels of implementation as well as policy. Last year, Green Stars made up 12% of the sample, although there have been some changes in the survey for this year so the figures are not directly comparable.

The results show that INREV members participating in the survey are good at committing resources and expertise to the topic. At 64%, close to two thirds of the respondents in the INREV sample have dedicated employees who have a core responsibility for sustainability, which is above the global average (Figure 2). In addition, the INREV sample also demonstrated commitment with the high level of participation by employees with a partial responsibility for the topic at 79% compared with 80% for the Global sample.

This responsibility is also feeding through into remuneration with 55% of the INREV sample being aligned through sustainability goals as part of their objectives. This is higher than the Global average at 49%. For the INREV sample, this also trickles down to 59% of fund/portfolio managers.

The European non-listed property funds industry is also the most active when it comes to having a sustainability taskforce or committee to oversee their activities in this

FIGURE 2: RESOURCES AVAILABLE TO IMPLEMENT SUSTAINABILITY OBJECTIVES



area. The INREV sample had the highest participation at 91% followed by Europe as a whole at 90% and Global at 84%.

The results also show that the industry is very focused on ensuring good communication on the topic to its investors. The most common outlet continues to be company websites with 62% of INREV respondents using this route compared with 59% for the Global sample. European funds also produce Corporate Sustainability Reports much more frequently than the Global average. For the INREV sample this was 57% compared with 38% for the Global sample.

The industry still looks to green building certificates such as LEED and BREEAM to demonstrate to tenants and investors their commitment to improve a property's energy efficiency or sustainability. These certificates are in place for an average of 44% of the floorspace in the INREV sample's portfolio. This is lower than in Europe as a whole at 49% but above the Global sample level with 37% of floorspace.

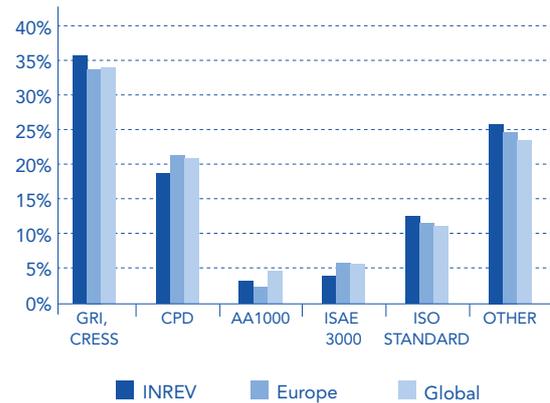
There is still room for improvement with transparency for investors as the results showed a fragmented

OTHER KEY HIGHLIGHTS

- ▶ Environmental Management Systems support industry assessments
- ▶ Tenant engagement still a high priority
- ▶ Sustainability factored into new developments

approach for the methods through which sustainability performance is disclosed. Around 59% of the Global sample uses a framework to disclose sustainability performance compared with 61% for the INREV sample. However, there is variation among the most frequently used frameworks. GRI/CRESS is the most popular at 36% for the INREV sample and 34% for the Global sample but the next most popular type is "Other", showing that the industry lacks consistency in its disclosures (Figure 3).

FIGURE 3: USAGE OF SUSTAINABILITY PERFORMANCE REPORTING FRAMEWORKS



The industry has also incorporated sustainability into its risk management processes. The most common risk assessment for standing investments is for flooding. These were performed by 53% the INREV sample and 57% for the Global sample. The frequency of other assessments were mostly in line across the samples for standing investments other than extreme weather conditions, which, at 40%, had a higher incidence globally than the 30% and 31% in Europe as a whole and the INREV samples respectively. In addition, the INREV sample was more likely to perform risk assessments for contaminated land at 45% compared with 34% for the Global sample.

At the acquisition stage, there was also strong focus from the INREV and Europe samples in particular on the energy efficiency of the building and the materials used in construction. This emphasis shows that the due diligence process is an important first step in the sustainability process.

The INREV sample for this survey included 245 non-listed property funds in Europe. The overall GRESB survey included 543 property companies and funds, representing \$1.6 trillion (€1.16 trillion) of assets under management, and covering almost 49,000 assets in 46 countries.

The full report is available to members at www.inrev.org
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