# Response to FCA Discussion Paper – DP21/4

Gwil Mason
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London E20 1JN
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Response by email to: *dp21-04@fca.org.uk*

6 January 2022

**INREV Response to Discussion paper on Sustainability Disclosure Requirements (SDR) and investment labels (DP21/04)**

Dear Gwil,

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV) welcomes the opportunity to respond to the FCA's consultation on Sustainability Disclosure Requirements (SDR) and investment labels. We hope our attached comments will make a constructive contribution to this important topic.

If you have any questions or would like to discuss our response, please contact me or my colleagues, Constantin Sorlescu, Bahar Celik or Luc van de Boom at: professional.standards@inrev.org.

Sincerely,

Jeff Rupp
Director of Public Affairs

Response by email to: dp21-04@fca.org.uk

*6 January 2022*

**About INREV: the voice of the European non-listed real estate investment industry**

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property funds industry across Europe.

INREV currently has more than 465 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds, as well as investment banks, fund managers, fund of funds managers and advisors representing all facets of investing into non-listed real estate vehicles in the UK and the rest of Europe. Our fund manager members manage more than 500 non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors.

We welcome the opportunity to respond to the FCA's consultation on Sustainability Disclosure Requirements (SDR) and investment labels. We hope with the following feedback to make a constructive contribution to this important topic.

**Chapter 2 – FCA Approach**

Q1 **What are your views on the tiered approach set out in Figure 2?**

We note the FCA's proposal for a tiered framework including product labels, consumer-facing product-level disclosures and more detailed disclosures at entity and product level. While we appreciate the approach set out in Figure 2 as it allows to differentiate the information needs of retail consumers and institutional investors, we find it difficult to understand the reasoning behind proposing separate categories for 'Product Labels' and 'Consumer-facing disclosures' as they both have the aim to allow consumers to better understand the sustainability characteristics of the product. We recommend the FCA clarify this point. We believe that it will be important that the FCA avoid undue complexity and prescription, while providing practical guidance about compliance with the SDR.

Regarding the 3rd tier, namely 'Detailed disclosures', we recommend the FCA be aligned with the EU Sustainable Finance Disclosure Regulation (SFDR) as much as possible, considering that UK managers are inextricably bound within the European system. We are pleased to see that the FCA shares the same view in relation to the alignment with the SFDR and is seeking to build consistency without upending existing terminology and practices.

As an overarching comment, the FCA needs to consider the two angles of recognition of other frameworks/regulations:

1. Harmonisation among different standards

At the moment there are many new initiatives and regulatory frameworks that could become unmanageable if not carefully considered. There should be harmonisation among different standards and consistency with the regulatory initiatives in relation to ESG disclosure. In that sense, we are supportive of the FCA's intention to ensure harmonisation of global sustainability reporting as far as possible. This is important for not only ensuring there is no additional burden for firms but there is some consistency for investors as well.

Given some differences in the calculation methodologies between the TCFD's recommendations and the EU SFDR – to which some UK firms are subject for their EU business – INREV proposes that the FCA consider both the TCFD and SFDR methodologies. This would promote consistency of disclosures both across the EU and internationally.

2. Avoiding over-reporting

It is likely that there will be an overlap with work that managers will have to do for different regulatory and non-regulatory frameworks, such as TCFD disclosure and SFDR. Therefore, the FCA is recommended to provide more clarity on the additional value it is trying to achieve with the proposed sustainability disclosure codes. It is important to avoid any confusion through proliferation of competing standards, causing over-reporting and additional costs to managers and investors which could potentially lead to limiting innovation in the area of sustainable investment products.

The FCA should refrain, as much as possible, from adding lots of other requirements as this will add an additional burden for fund managers in the UK compared to other jurisdictions. The FCA should assess the benefits to investors of any additional requirements.

Q2 **Which firms and products should be in scope of requirements for labels and disclosures? We particularly welcome views on whether labels would be more appropriate for certain types of product than for others, please provide examples.**

We recommend that the FCA take the same approach as the EU on this and that this covers all financial products that are open to UK investors.

From a real estate perspective, it is often quite difficult to apply guidance aimed at equity investors to real estate investment. Therefore, we would like to highlight the importance of providing clarification concerning what compliance means for financial products that invest in real estate and not companies.

**Chapter 3 – Labels**

Q3 **Which aspects of these initiatives, or any others, would be particularly useful to consider (for example in defining terms such as responsible, sustainable and impact) and how best should we engage with them?**

We agree with the FCA's approach of considering existing ESG investment frameworks that are currently used. Especially, the Global Sustainable Investment Alliance's classification on sustainable investment could be taken into account to gain an understanding on the broader spectrum of sustainable investments (i.e. categorising investment types as Negative/Exclusionary Screening, Positive/Best-in-class Screening, Norms-Based Screening, ESG Integration, Sustainability Themed Investing, Impact/Community Investing, Corporate Engagement and Shareholder Action).

However, regarding the product labels we suggest ensuring alignment with the EU regulation, such as EU Taxonomy and SFDR as much as possible. Please see our response to Q4.

For a more accurate view, we suggest considering industry specific sustainability standards, such as INREV Sustainability Reporting Guidelines for real estate industry (see here). In addition, we recommend taking into account sector specific certifications, tools and assessments, such as 'Building Certifications (e.g. BREEAM, LEED)', 'Energy Ratings (e.g. EU EPC)', CRREM and GRESB for real estate industry.

Q4 **Do you agree with the labelling and classification system set out in Figure 3, including the design principles we have considered and mapping to SFDR? We welcome views on further considerations and/or challenges.**

INREV supports the FCA's intention to remain as consistent as possible with the SFDR as many UK firms and their products are subject to SFDR in respect of their cross-border EU business.

Under the proposed FCA system, Figure 3 envisages five categories on a spectrum from traditional products (labelled as 'Not promoted as sustainable'), on one end, to Impact products at the other. In between there are 'Responsible' products' 'Transitioning' products and 'Aligned' products. The FCA's discussion paper also gives a mapping of the categories set out in Figure 3 against the SFDR categories (Articles 6, 8 and 9), which is helpful to understand the alignment level with the SFDR.

However, due to the differences between the criteria of FCA and SFDR categories, this mapping only works from UK regime to SFDR and not in reverse. To be more precise;

- 'Not promoted as sustainable' product category is mapped with SFDR Article 6 products. However, Article 6 is broader than the FCA's categorisation and can include products with ESG risk integration which sits under the second FCA category, namely 'Responsible' products,
- The category for 'Responsible' products is mapped with SFDR Article 8; however, it could also be an SFDR Article 6 product (i.e. Integration of sustainability risks into investment decisions), as stated in the previous bullet,
- The category for 'Transitioning' products is also mapped with SFDR Article 8, and

- Similar to the previous points, Article 9 products can translate to either ‘Aligned’ or ‘Impact’.

This raises the question whether, if a fund starts with an SFDR Article 8 categorisation, it is ‘Responsible’ or ‘Transitioning’ under the FCA system. Similar examples can be given for Article 6 and Article 9 products.

For real estate, it is also important to give particular consideration to the ‘Transitioning’ category, as this may not actually equate to Article 8 in SFDR – it may be more relevant for Article 9. For example, an investment strategy may be aimed at acquiring ‘stranded’ buildings with the specific purpose of investing into those buildings to improve their environmental performance so that they are Taxonomy aligned. At any point in time, this strategy may have a low proportion of taxonomy aligned assets, but should be categorised as Impact or Article 9.

Q5 **What are your views on ‘entry-level’ criteria, set at the relevant entity level, before products can be considered ‘Responsible’ or ‘Sustainable’? We welcome views on what the potential criteria could be and whether a higher entity-level standard should be applied for ‘Sustainable’ products. We also welcome feedback on potential challenges with this approach.**

INREV sees the benefits of having standards on entity-level disclosure alongside the product level disclosure. Entity-level disclosure is important to understand whether a company has:

- a strong ESG strategy to safeguard its long-term success
- integrated ESG into all decision-making processes
- systems to assess ESG performance of its products
- systems to measure their progress against a wide range of ESG targets
- systems to track ESG performance in its supply chain

When considering ESG, funds do not exist in isolation from their manager. Further the models used to manage ESG will vary between manager and vehicle type. Therefore, to get a complete and balanced view of the ESG impacts on any individual investor, it is necessary to provide disclosures on both manager and vehicle.

On the other hand, we note that the proposed entity level standard threshold for ‘sustainability’ products could be evidence of a firm’s credentials under existing frameworks such as the FRC UK Stewardship Code 2020 and a firm’s rating under the Principles for Responsible Investment’s assessment. Where these standards or codes are not relevant to real estate, they could become a barrier for this asset class to label their products as sustainable, e.g. becoming a signatory to the UK Stewardship Code. We would ask that there is flexibility in any such requirements. For example, the UN PRI is more relevant to real estate. Real estate fund managers could be required to confirm they are a PRI signatory.

As an overarching comment, these criteria are more applicable to equities investment than real estate. See the comment in Q4 regarding the Transitioning category. A real estate product that meets the minimum criteria of intentionality, additionality, measurement and verification would be highly likely to be investing in buildings that do not meet the UK taxonomy criteria – but making improvements to them in order to achieve taxonomy alignment. This should be explicitly recognised or real estate products will struggle to be classified as Impact.

Q6 **What do you consider to be the appropriate balance between principles and prescription in defining the criteria for sustainable product classification? We welcome examples of quantifiable, measurable thresholds and criteria.**

As an example of balancing between principles and prescriptions, we recommend reviewing INREV Guidelines and its Adoption and Compliance Framework as an example. (See here)

INREV Guidelines are designed for non-listed real estate vehicles for institutional investors. Since non-listed vehicles can differ considerably, INREV provides a modular approach to guide investors and managers in agreeing on an appropriate level of adoption of INREV best practices and in deciding on the level of compliance with INREV requirements for individual modules. Each module starts with principles which serve as a basis for the requirements and best practices.

Q7 **Do you agree with these high-level features of impact investing? If not, why not? Please explain, with reference to the following characteristics:**

**• intentionality**

**• return expectations**

**• impact measurement**

**• additionality**

**• other characteristics that an impact product should have**

INREV agrees with these high-level features of impact investing. The definition provided in the discussion paper aligns with INREV's impact investing definition for real estate industry (INREV provides 13 definitions around impact investing, including the definitions for intentionality, additionality, impact measurement. See the Global Definition Database for more information - here).

The impact should be defined as part of the strategy and investments and should be assessed against social or environmental impact criteria as well as financial return thresholds.

- Intentionality is key to the construction of any impact investment strategy and the starting point for defining the 'impact theme'. All investments have an impact, which can be either positive or negative. Impact investment must have a positive impact, but there must also be a clear intention to have such an impact.
- An impact investment should demonstrate additional value to society or the environment that would not have occurred without the investment. Additionality can be ensured by identifying specific 'investment criteria'.
- Measuring impact is crucial to ensure that the strategy has the intended result. A successful impact investment strategy requires the development of a clear measurement and management framework to assess how far the social or

environmental impact goals associated with the strategy have been achieved, alongside specific performance metrics related to the financial goals that were set.

- For impact investing, both financial and social/environmental returns are motivating factors in the investment choices.

With regard to the discussions on having ‘additionality’ as a requirement of impact investing, we believe that ‘additionality’ is at the heart of impact investing. It could be ensured only with identifying a specific investment criteria and can be linked to the measurement of whether the social and/or environmental outcomes are achieved or not. We do not see it as contradictory to SFDR Article 9 as it also lists ‘sustainability indicators’ as one of its requirements.

Q8 **What are your views on our treatment of transitioning assets for: a: the inclusion of a sub-category of ‘Transitioning’ funds under the ‘Sustainable’ label? b: possible minimum criteria, including minimum allocation thresholds, for ’Sustainable’ funds in either sub-category?**

Although the names and possible minimum criteria are appropriate, we have concerns with regard to the alignment with the SFDR. Please see our answer to Q4. See also our answers to Q4 and Q5 in relation to our concerns about the overlap between Impact and Transitioning for real estate.

Q9 **What are your views on potential criteria for ‘Responsible’ investment products?**

Although the names and possible minimum criteria are appropriate, we have concerns with regard to the alignment with the SFDR. Please see our answer to Q4.

Q10 **Do you agree that there are types of products for which sustainability factors, objectives and characteristics may not be relevant or considered? If not, why not? How would you describe or label such products?**

Sustainability factors are relevant for all products, but it is likely that there will be products where these have not been considered. It might be more appropriate to have a residual product category that has a more neutral label associated with it to capture mainstream products that entail only a modest degree of focus on sustainability issues. We agree that these products should be clearly labelled as investors should be aware that sustainability risks and opportunities have not been considered.

Q11 **How do you consider products tracking Climate Transition and Paris-aligned benchmarks should be classified?**

These products could be reasonably be labelled as either ‘Transitioning’ or ‘Impact’ depending on the strategy. If the objective to align with the benchmark is on an equal footing with financial return objectives, then these products could certainly be classified as Impact. This classification would be particularly relevant if the objective is to track ahead of the benchmark and achieve the desired levels of environmental performance ahead of the market.

Q12 **What do you consider the role of derivatives, shortselling and securities lending to be in sustainable investing? Please explain your views.**

INREV takes no position on this issue.

**Chapter 4 – Disclosures**

Q13 **What are your views on streamlining disclosure requirements under TCFD and SDR, and are there any jurisdictional or other limitations we should consider?**

We are supportive of the FCA using TCFD as a basis for its proposed sustainability disclosure requirements as this will assist in ensuring harmonisation of global sustainability reporting, as far as possible. This is important for not only ensuring there is not additional burden for firms but there is some consistency for investors too.

Our understanding is that the TCFD:

- is looking to incorporate results of a consultation on a small set of 'cross-industry, climate-related' metrics into TCFD guidance 'TCFD for real assets investors' dated 27 April 2021[1];
- is not developing industry-specific metrics (including metrics for the real estate asset class and funds); and
- encourages initiatives in different industries to develop industry-specific metrics.

In our response to CP21/17, we highlighted our concerns regarding the level of alignment of the core metrics with real estate assets. In the context of developing industry-specific metrics, we very much welcome the opportunity for the real estate industry to engage with the new SDR regulatory regime and ensure that robust, consistent and transparent metrics applicable to real estate are adopted – and as consistent as possible with the EU's SFDR framework.

In our response, we also proposed the use of CRREM, which is free and open source, as we believe currently this is best tool available for measuring climate-related metrics for real estate.

We also noted our concerns regarding the data gap and reporting using proxy data or assumptions. Assumptions still need data to support them and the data and results are likely to be unreliable and not comparable. We suggest the FCA engages with appropriate trade bodies to solve data issues for real estate and in the provision of guidance to ensure there is consistency in the type of data or assumptions used.

(For more details please refer to the INREV response to FCA consultation CP21/17 in the annex to this response)

Q14 **What are your views on consumer-facing disclosures, including the content and any considerations on location, format (e.g. an 'ESG factsheet') and scope?**

A consumer-facing factsheet is a sensible approach to convey ESG information to consumers not familiar with investment terminology. Asset class specific best practice examples and guidance would be helpful for the industry. The information and data to be used to create

[1] https://www.unpri.org/infrastructure-and-other-real-assets/tcfd-for-real-assets-investors/7495.article

these should be the same as the information for the more detailed guidance to ensure that the administrative burden is not increased and also to ensure consistency.

Q15 **What are your views on product-level disclosures, including structure, content, alignment with SFDR and degree of prescription?**

Please see our answer to Q4.

Q16 **What are your views on building on TCFD entity-level disclosures, including any practical challenges you may face in broadening to sustainability-related disclosures?**

We note that the FCA plan to base entity and product-level disclosure requirements on the proposed TCFD-aligned disclosure requirements within PS21/4 and widen the scope beyond climate to other sustainability factors.

We agree with the proposals for in-scope firms to publish a TCFD entity report, but also suggest flexibility to cross-refer to other reports. And we support the view that sustainability disclosure should be covered more broadly, considering issues beyond climate change.

(For more details please refer to the INREV response to FCA consultation CP21/17 in the annex to this response)

Q17 **How can we best ensure alignment with requirements in the EU and other jurisdictions, as well as with the forthcoming ISSB standard? Please explain any practical or other considerations.**

Please see our answer to Q1.

**Chapter 5 – Operation of the System**

Q18 **What are your views on the roles of other market participants in communicating sustainability-related information along the investment chain?**

INREV takes no position on this issue.

Q19 **Do you consider that there is a role for third-party verification of the proposed approach to disclosures, product classification and labelling and organisational arrangements of product providers? Do you consider that the role may be clearer for certain types of products than others?**

We support having a third party verification or ‘proof’ of any statement of sustainability disclosure compliance to ensure reliability and transparency in disclosure. From a real estate perspective, we suggest this to be on a voluntary basis. Given current market practices and existing frameworks, we could imagine various options and examples at the following levels:

- Property/Asset Level: Assurance/verification can be given by third party providers such as rating agencies, external consultants or providers including external valuers and green label certifiers (e.g. climate value at risk measures, usage based and intensity measures/ KPIs, green building certifications/ labels, EPCs etc.).

- Fund Level: Assurance/verification can be given by third party providers such as auditors, valuation agents, ESG consultants. We also recommend considering fund level sustainability labels for third party assurance.
- Entity Level (i.e. Financial Market Participants and Financial Advisors): Assurance/verification can be given by third party providers such as, consultants, auditors, other external providers including rating agencies or other external assurance for good governance (UN PRI, GRI etc.). As an example, GRESB (Global ESG Benchmark for Real Estate Industry) defines third party assurance options in its assessment framework.

Q20 **What approaches would you consider to be most effective in measuring the impact of our measures, including both regulatory and market-led approaches, and should disclosures be provided in a machine readable format to better enable data collection and analysis?**

INREV takes no position on this issue.

**Annex to INREV response to DP 21/4 follows:**

Louisa Chender
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Response by email to cp21-17@fca.org.uk

10 September 2021

**Response to Enhancing climate-related disclosures by asset managers, life insurers, and FCA-regulated pension providers**

Dear Louisa,

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV)* welcomes the opportunity to respond to the FCA's consultation on enhancing climate-related disclosures by asset managers, life insurers, and FCA-regulated pension providers. We hope our comments will make a constructive contribution to this important topic.

If you have any questions or would like to discuss our response, please contact me, Constantin Sorlescu, or Luc van de Boom Associate Professional Standards at: professional.standards@inrev.org.

Sincerely,

Constantin Sorlescu
Director of Professional Standards

Response to CP21/17

**Chapter 3 – Design, scope, timing of implementation and compliance basis**

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| **Q1** | **Scope: Firms in scope of our proposals**<br><br>***Do you agree with our proposed scope of firms, including the £5 billion threshold for asset managers and asset owners? If not, please explain any practical concerns you may have and what scope and threshold would you prefer.***<br><br>INREV* agrees with the proposed scope of firms outlined and is supportive of the proposal to exclude asset managers below a £5 billion size threshold. |
| **Q2** | **Scope: Products and portfolio in scope of product or portfolio-level requirements**<br><br>***Do you agree with the proposed scope of products? If not, what types of products should or should not be in scope and why?***<br><br>In relation to the real estate funds, INREV agrees with the proposed products and portfolios in scope. |
| **Q3** | **Timing of implementation**<br><br>***Do you agree with our phased implementation and timings? If not, what approach and timings would you suggest and why?***<br><br>INREV would like to suggest that the FCA's phased implementation and timing of the proposed rules should be aligned with other climate related disclosures such as SFDR. |
| **Q4** | **Compliance basis – Data availability**<br><br>***Would there be significant challenges in using proxy data or assumptions to address data gaps? If so, please describe the key challenges and implications as well as any preferred alternative approach.*** |

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| | INREV has concerns with firms having to report on the basis of '*best efforts'* using assumptions and proxy data. The term "best efforts" is ambiguous and open to different interpretations. We ask that the FCA provides guidance on the definition of this term. |

**Chapter 4 Entity-level disclosure rules and guidance**

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| ***Q5*** | **<u>TCFD entity report and compliance statement</u>**<br><br>**Do you agree with our proposals for the provision of a TCFD entity report, including the flexibility to cross refer to other reports? If not, what alternative approach would you prefer and why*?***<br><br>INREV agrees with the proposals for in-scope firms to publish a TCFD entity report, including the flexibility to cross refer to other reports. |
| ***Q6*** | **<u>Contents of the TCFD entity report - Governance, strategy and risk management & scenario analysis</u>**<br><br>**Do you agree with our proposed approach to governance, strategy and risk management, including scenario analysis? If not, what alternative approach would you prefer and why?**<br><br>INREV agrees with the FCA proposed approach to governance, strategy and risk management in relation to the TCFD entity report. |
| ***Q7.*** | **<u>Contents of the TCFD entity report - Metrics and Targets</u>**<br><br>***Do you agree that firms not yet setting climate-related targets must explain why not? If not, what alternative approach would you prefer and why?***<br><br>INREV agrees that firms not yet setting climate-related targets should explain why not. |
| ***Q8.*** | **<u>Specific proposals for asset managers where investment management is delegated to third-party portfolio managers</u>**<br><br>**Do you agree with our proposals for AFMs that delegate investment management services to third-party portfolio managers? If not, what alternative approach would you prefer and why?**<br><br>INREV agrees with the FCA's proposals for AFMs that delegate investment management services to third-party portfolio managers. |

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| **Q9** | **Specific proposals for asset owners – Entity-level TCFD report**<br><br>***Do you agree with our proposals for asset owners to cross-refer to group-level, third-party or delegate reports, where relevant? If not, what alternative approach would you prefer and why?***<br><br>INREV agrees that asset owners, when producing their entity-level TCFD report, should be able to cross-refer to group-level, third-party or delegate reports, where relevant. |

**Chapter 5 Product or portfolio-level disclosure rules and guidance**

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| **Q10** | **Product or portfolio-level disclosure requirement, timing and location**<br><br>***Do you agree with our proposed requirements for product or portfolio-level disclosures, including the provision of data on underlying holdings and climate-related data to clients on demand? If not, what alternative approach would you prefer and why?***<br><br>For the Real Estate industry, it would be challenging to make climate related disclosures at product level. For example, where a fund holds several hundred individual residential properties it would be burdensome and impractical for them to provide data for individual properties. It would be more appropriate to provide the data at asset class or investment subsector level. |
| **Q11** | **Content of product or portfolio-level disclosures – Core metrics**<br><br>**Do you agree with the list of core metrics, including the timeframes for disclosure? If not, what alternative metrics and timeframes would you prefer and why?**<br><br>The core metrics proposed follow the TCFD recommendations, which are based on funds investing in equities. Most of them do not have a strong alignment with real estate and are not standard for real estate reporting.<br><br>**Weighted average carbon intensity (WACI)**<br><br>The TCFD WACI metrics are not aligned with current approaches to reporting in commercial real estate (CRE) where revenue/rents are not considered within reporting. Rents are quite variable and can fluctuate. Also, rents as a denominator is not a standard practice in sustainability in CRE.<br><br>Using portfolio carbon intensity by floor area would align within existing CRE reporting processes. |

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| | **Total carbon emissions**<br>Equity share approach is not common in CRE when calculating total carbon emissions. An operational control approach is more relevant for CRE than the equity control boundary used in the TCFD metric.<br>**Carbon footprint**<br>The TCFD metric for calculating the carbon footprint is not relevant for CRE as real estate typically considers the floor area as a denominator. As mentioned above, an operational control approach is more relevant for CRE than the equity control boundary used in the TCFD metric.<br>**Scope 1-3 Greenhouse gas (GHG) emissions**<br>The GHG emissions metrics are aligned with the methodology used for real estate.<br>The existing tools and processes being adopted by Commercial Real Estate firms describe risks clearly and have processes already reporting to them. So, we would recommend aligning the metric requirements for CRE with these. In particular:<br>1. Using calculations based on open source tools like the Carbon Risk in Real Estate Monitor (CRREM) spreadsheet to communicate intensities.<br>2. Maintaining the operational control boundary, and making clear the different boundaries within reporting if equities and real estate are reported in a unified way. |
| ***Q12*** | ***Do you agree that firms should calculate metrics marked with an asterisk according to both formulas set out in columns A and B of Appendix 3? If not, please explain why, including any challenges in reporting in accordance with either or both regimes.***<br>The proposed metrics should be aligned as much as possible with existing metrics so that Real Estate funds only need to calculate one set of metrics. |
| ***Q13***<br><br>***a.*** | ***Do you agree that, subject to the final TCFD guidance being broadly consistent with that proposed in the current consultation, our proposed rules and guidance should refer to:***<br><br>***The TCFD Final Report and TCFD Annex in their updated versions, once finalised?***<br>In principle INREV agree with the FCA's rules and guidance referring to the TCFD Final Report and TCFD Annex in their updated versions. However, we would want them to be appropriate for real estate funds.<br>Also, we believe that timing and scope would need to be modified accordingly. It would not be possible to meet the January 2022 deadline with the new TCFD recommendations expected to be published in Q4 2021. If scope 3 GHG is included in the TCFD recommendations, it will take a considerable amount of time before that can be implemented. Under SFDR, scope 3 GHG emissions do not come into effect until January 2023, and we believe that this should be the earliest date when scope 3 GHG should be included for any mandatory TCFD reporting. |

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| ***b.*** | ***The TCFD's proposed guidance on metrics, targets and transition plans and the proposed technical supplement on measuring portfolio alignment?***<br><br>As mentioned in our response to Q11, TCFD needs to include metrics appropriate for real estate.<br><br>***If not, what other approach would you prefer and why?*** |
| | **<u>Content of product or portfolio-level disclosures – Data availability, additional metrics & targets</u>** |
| ***Q14*** | ***Do you agree with our approach to additional metrics and targets? If not, what alternatives would you suggest and why?***<br><br>Climate Value at Risk and a comparable indicator such as Implied Temperature Rise are not standard reporting metrics for CRE. However, INREV believes that would be useful to introduce these for CRE, although this should be in in a way which integrates with existing tools such as CRREM and does not require more reporting processes and skills. |
| | **<u>Content of product or portfolio-level disclosures – Governance, strategy and risk management & scenario analysis</u>** |
| ***Q15*** | **Do you agree with our approach to governance, strategy and risk management, including scenario analysis at product or portfolio-level? If not, what alternative approach would you prefer and why?**<br><br>INREV agrees with the FCA proposal that firms should disclose if the approach for specific products or portfolios, asset classes or investment strategies is materially different from any overarching approached described in the entity-level TCFD report. |
| ***Q16*** | ***What form(s) could quantitative scenario analysis outputs at product or portfolio-level take? What do you consider the cost and feasibility of producing such outputs might be? How useful would such outputs be for users' decision-making?***<br><br>INREV takes no position on this issue. |
| | **<u>Specific proposals for asset managers– Reporting to clients on demand</u>** |
| ***Q17*** | ***Do you agree with our proposed approach that would require certain firms to provide product or portfolio level information to clients on request? If not, what approach and what types of clients would you prefer and why?*** |

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| | As we mentioned in our response to Q10, where public disclosure is inappropriate, INREV supports providing annual reports to clients to enable them to satisfy their own (or their clients' or customers') climate-related financial disclosure obligation. To ensure this is not onerous for firms we propose that the firms should be able to provide the report in a standard format. We suggest the FCA engages with appropriate trade bodies and provides guidance to ensure there is consistency with that format. |
| | **Specific proposals for asset owners** |
| ***Q18*** | ***Do you agree with our proposed approach for life insurers when mirroring an external asset manager's strategy? If not, what alternative approach would you prefer and why?***<br><br>INREV takes no position on this issue. |
| ***Q19*** | ***Do you agree with our specific proposals for asset owners, including the proposed threshold to exclude the smallest default schemes? If not, what alternatives would you prefer and why?***<br><br>INREV takes no position on this issue. |
| | **Cost benefit analysis** |
| ***Q20*** | ***Do you agree with the analysis in our CBA? If not, we welcome feedback in relation to the one-off and ongoing costs you expect to incur and the potential benefits you envisage. Contextual information about your firm's size and structure would be helpful.***<br><br>INREV takes no position on this issue. |

*** About INREV: the European Association for Investors in Non-Listed Real Estate Vehicles**

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