

UNEP FI launches Corporate Real Estate Sustainability Management Framework for the Financial Industry

London, 7 May 2014 – In the presence of leading real estate asset managers and investors, the United Nations Environment Programme Finance Initiative (UNEP FI) launched a report which proposes a framework for Corporate Real Estate Sustainability Management (CRESM). The framework is a useful tool for real estate asset managers to mitigate risks and create opportunities across the investment process at the corporate, portfolio and single building level, and ensures that sustainability information will become a valuable resource for boards and key decision makers. It also helps investors both protect the value of real estate funds and comply with their fiduciary duties.

The report, *Sustainability Metrics: Translation and Impact on Property Investment and Management*, draws on the findings of a sector survey conducted by the Centre for Real Estate at the Karlsruhe Institute of Technology (KIT), and highlights that the property investment community has already developed a relatively sound understanding of what sustainability means in relation to single buildings and investment vehicles. However, it also suggests that the data and information crucial for sustainability performance assessment and management are not yet systematically captured and processed, even though it may already be available ‘somewhere’ within an organisation.

From a boardroom perspective, it is critical to harness the relationships between sustainability issues, related metrics and property investment / asset management operations. An individual asset’s sustainability performance can impact on portfolio value, corporate reputation and corporate success in many ways. Therefore, the adoption of Corporate Real Estate Sustainability Management (CRESM) is a vital element of a responsible corporate policy. It requires implementation into standard investment and asset management processes.

“We believe that sustainability risks are integral to both functional and physical depreciation of buildings. [...] We see this as a key risk factor that should be incorporated in the real estate industry’s existing dividend discount models in assessing value. Only in this manner will we be able to manage our portfolio as a responsible investor on behalf of our clients”, said Chris Taylor, Chief Executive Officer, Hermes Real Estate.

With approximately 70 per cent of the world’s wealth bound up in land and real estate, the sector is vital to economic development, helping to underpin stable, sustainable investment and growth around the globe. Buildings also account for approximately a third of the world’s energy consumption; they contribute to global greenhouse gas emissions and are thus considered a sector requiring urgent action to mitigate climate change.

“Our aim is to assist the financial sector with enhancing and protecting real estate value in ways that ultimately support UNEP’s agenda, which is to work towards a more sustainable, energy efficient and low-carbon economy. This report presents policy makers with an easy to understand analysis of sustainability management in the real estate sector and is a basis for action by investors”, said Charles Anderson, Director of the United Nation Environment Programme Finance Initiative.

“From a RICS perspective, the UNEP FI metrics report could not have come at a better time. The January 2014 RICS Red Book edition now specifically lists sustainability as a factor that valuers need to take into account when performing valuations and risks assessments for their clients as these sustainability factors can influence investment decision-making. With the new Red Book and the Sustainability Metrics report we now have a holistic approach with guidance to valuers and associated capacity building programmes on the valuation side and guidance on the real estate investment and financing side. Both are aimed at raising awareness about the importance of data

collection and sustainability metrics not only amongst valuers and responsible investors, but also amongst the wider investment community", said Louise Brooke-Smith, President Elect of RICS.

Led by the Property Working Group within the UNEP Finance Initiative and developed by the Centre for Real Estate at the Karlsruhe Institute of Technology, the report represents a joint venture between leading stakeholders in the field of property investment, advice and management. It was supported by the Royal Institution of Chartered Surveyors (RICS), the Institutional Investors Group on Climate Change (IIGCC) and the Principles for Responsible Investment Initiative (PRI).

"The PRI is proud to collaborate with its partner, the UNEP Finance Initiative, to deliver pragmatic solutions for investors that contribute to a more sustainable financial system. We are pleased to recommend this resource to the property investment management community as a useful tool to facilitate responsible investment practices" said Fiona Reynolds, Managing Director, Principles for Responsible Investment.

The common goals of these organizations are to encourage sustainability in property finance and promote property investment and management practices that achieve the best possible financial, environmental and social outcomes.

Note to editors:

The PDF version of the UNEP FI Publication – *Sustainability Metrics: Translation and Impact on Property Investment and Management* will be available to download from 1500 GMT on 7 May onwards at <http://bit.ly/SgIok6>. The Executive Summary is available at <http://bit.ly/1iGjUeN>.

The flyer can be downloaded at <http://bit.ly/1rW6LzL>.

About the UNEP Finance Initiative (UNEP FI)

The United Nations Environment Programme Finance Initiative (UNEP FI) was established in 1992 as a partnership between policy makers and financial intermediaries. With over 200 members representing banks, insurers, and investors from around the world, UNEP FI contributes the perspectives of financial institutions to the United Nations and global activities on sustainable finance. UNEP FI's mission is to bring about systemic change in finance to support a sustainable world by 'Changing finance, financing change'.

www.unepfi.org

About the Royal Institution of Chartered Surveyors (RICS)

RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. RICS accredits 118,000 professionals worldwide. Their expertise covers property valuation and management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland.

www.rics.org

About the Principles for Responsible Investment Initiative (PRI)

The United Nations-supported Principles for Responsible Investment (PRI) Initiative is an international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. Launched by the United Nations in 2006, the PRI has over 1200 signatories representing more than US\$ 34 trillion in assets. The PRI has circa 230 signatories with assets allocated to property investment. On behalf of these signatories, the PRI property work stream has been working with the UNEP FI Property Working Group since 2007 to explore how the Principles apply to property investment and management practices.

www.unpri.org

About the Institutional Investors Group on Climate Change (IIGCC)

Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration on climate change for European investors. It provides investors with a platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change. IIGCC currently has over 90 members, including some of the largest pension funds and asset managers in Europe, representing around €7.5trillion in assets.

www.iigcc.org

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