



United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

Finance Initiative

Innovative financing for sustainability

Proposed Property Working Group Work Programme 2006-2007

Mission: To encourage property investment and management practices that achieve the best possible environmental, social and financial goals, as consistent with fiduciary responsibilities.

Objectives / Priorities

- Governance & Outreach**
 - Become an official UNEP FI Working Group.
 - Attract new property work stream members and UNFP FI signatories.
 - Develop a Property Working Group web page.
 - Establish partnerships with like-minded non-financial institution organisations.
- Awareness-raising**
 - Raise awareness of the importance of Responsible Property Investment (RPI), within the whole investment chain, especially fund managers.
 - Outreach to tenant companies, linking to the tenants the cost of inefficient energy usage and a building's carbon footprint.
- Responsible Property Investment (RPI)**
 - Make the financial case for RPI: best practice with demonstrated high financial return. Prove the materiality of ESG issues to property finance, surveying each of the main property sectors (commercial, residential, industrial...). Make the connection between financial gain and sustainable property investment and management.
 - Create a clearing-house, providing a tangible and accessible central source of relevant information and a network of member experts, who people can consult.
 - Make recommendations for a portfolio rating system, providing fund managers with a possibility to improve their environmental status and also financial performance rating.

Activities 2006-2007

- 1. Member recruitment**

Outreach activities, including an in-person meeting in Paris (Q4 2006) and an Asia-Pacific regional meeting in Australia (Q1 2007). This will be a side-meeting to co-inside with the Green Cities Conference & Expo 2007.
- 2. Study of Responsible Property Investment strategies that bring high financial yield**

The Principles for Responsible Investment have ensured that funds worth US\$4 trillion worldwide are managed in consideration of ESG issues. This project aims to study the particular case of property portfolios, presenting case studies that prove the financial and environmental value of RPI. Research, case studies, a report and CEO briefing will be prepared with the pro bono assistance of the University of Arizona (Q3 2006 - Q2 2007, published Q2/3 2007).
- 3. RPI awareness-raising and training workshops in the regions.**

Property Work Stream (PWS) presentation at the TBLI Conference, Paris, (Q4 2006).
A training workshop on the financial value of responsible property finance, to follow-on from the report and briefing, in cooperation with Regional Task Forces. Aimed at both financial institutions and tenant companies (Q3 2007).
- 4. Collaboration with UNEP Sustainable Building and Construction Initiative**

Observer status and partnership for information sharing and coordination with UNEP SBCI. Possible collaboration on economic incentives for a "life cycle approach" in design, construction and financing of buildings (potential link to the financial case for RPI study).

Members

AXA Real Estate Investment Managers France
Caisse des Dépôts
CaIPERS (observer)
Calvert Group
F&C Property Asset Managers
Hermes
Investa (observer)
Land Securities (observer)
Lend Lease (observer)
Morley Fund Management
Prudential Property Investment Managers
University of Arizona (advisor)

Achievements

- As research for the Principles for Responsible Investment (PRI) two founding PWS members were invited to prepare a report on responsible property investment.
- Following a PRI technical committee meeting in Toronto in 2005, several UNEP FI signatories requested to establish a new property work stream (PWS). Approval was given at the January 2006 Steering Committee meeting.
- US\$5,000 grant made by the Rudolf Steiner Foundation to the PWS's Advisor (University of Arizona), to develop the initiative. Exploratory meeting held December 2005, London.
- Prudential hosts the 1st official PWS meeting, attended by 5 UNEP FI signatories, 3 non-member finance institutions, a specialist from the University of Arizona and the UNEP Sustainable Building & Construction Initiative, London, 29 & 30 June 2006. Outcome: development of work programme.
- Survey of PWS members to determine current best practice in RPI and preparation of a broader survey to collect RPI best practice case studies from a variety of external finance institutions. Results will be used in activity Number 2 above.
- On-going outreach activities, to ensure new potential members attend the next meeting, planned for December 2006 in Paris.

The importance of a Property Working Group

It is a truism that properties accommodate most human activity. However, the corollary of this is that properties are also the places where a significant proportion of CO₂ emissions are generated. The Association for the Conservation of Energy in the UK estimates that, through their construction, use and demolition, built structures are the source for nearly 50% of such emissions. On this basis, any coherent strategy towards constraining and reducing CO₂ emissions must place thought and action on the environmental impacts of properties at its core.

Substantial and important work is already underway to identify practical ways and policy measures to ensure that newly constructed buildings are built and operated in environmentally sustainable ways. UNEP's own Sustainable Building and Construction Initiative is important in this regard. However, depending on economic and property market cycles, newly developed buildings typically replace up to 2-3% of the existing stock per annum. This means that any environmental programme that focuses solely on new construction would leave untouched the current universe of built structures where most environmental and energy inefficiencies reside and, as such, make only slow progress in the crucial theatre of the built environment.

Hence, there is a need for concerted thought and action to be given to finding ways to reduce the environmental impacts of the existing built stock. This is the specific subject area that the UNEP Finance Initiative's Property Working Group is committed to exploring. The complexities surrounding how properties are owned, leased and occupied are such that this requires specialist attention albeit, clearly, in dealing with the practical management and refurbishment of properties: there is much that the Property Working Group can learn from UNEP's Sustainable Building and Construction Initiative.

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