Pension funds urged to invest responsibly in property

By Matthew Craig - 12th December 2006

Pension funds and other investors are being urged to put environmental thinking at the heart of their property investment strategies by a United Nations working party.

The United Nations Environment Programme Finance Initiative (UNEP FI) has set up a working party on responsible property investment.

“Investors’ responsibility cannot be limited to their assets in large listed companies. The environmental and social stakes in real estate must be subject of investors’ benchmarking to prepare property responsible investment practices,” commented Jean-Pierre Sicard, Caisse des Dépôts head of sustainable development and co-chair of the property working group.

According to a recent UK report cited by the working party, property construction, use and demolition can account for nearly 50% of carbon emissions, although Pensions News understands this figure includes residential properties in developed nations. The working party said by taking sustainability factors into account, carbon emissions can be reduced and energy and water efficiency improved.

However, FairPensions director, Alex van der Velden, said most pension funds only apply responsible investing principles to equity investment at present.

“We don’t see many, if any, references to property and the social, environmental and ethical implications of property investment, so I don’t think this is on the radar screen for most pension funds,” van der Velden said.

Andy Szyman, property compliance manager at F&C Property Investment Management, said the recent Stern report has pushed environmental issues up the agenda for fund managers.

“We see one of our objectives to convince fund managers that there is a financial case for this [responsible investment]. There is a perception that it costs money, so therefore they don’t do it.”

Szyman added that the working party would compile case-studies to show the medium to long-term benefits of responsible property investment.

The United Nations principles for responsible investment have by signed by institutional investors representing $6trn (€4.5trn) in assets.

For more information on UNEP FI see:

http://www.unepfi.org/work_streams/property/