

REAL ESTATE INVESTOR STATEMENT

Climate risk management call to action for real estate companies and funds

Environmental factors are becoming increasingly important in real estate. Legislative and regulatory requirements for curbing emissions to ensure net-zero compliance by 2050 at corporate level are ever more likely, while at the other end of the spectrum there is increasing focus on measures that target tenants and owners. Real estate investors too are increasingly required to demonstrate and report on the sustainability of their investments. These developments coupled with the physical risks associated with global warming mean that real-estate portfolios are becoming increasingly vulnerable to climate change on a range of levels.

In light of the impact of these factors on the risks and returns of real estate companies and funds, the undersigned collective of real estate asset owners and asset managers, therefore see it as their fiduciary responsibility to take ESG and climate risk factors into account in their investment policies. In this statement, we outline four actions on climate change and sustainability for real estate funds and companies.

Action 1: Provide enhanced disclosure on the robustness of companies' business plans in different climate scenarios to aid investment decision-making

As investors, it is of the utmost importance for us to be able to analyze real estate assets and portfolios against science-based transition pathways. Consequently, we urge real estate companies and funds to disclose their Scope 1, 2, and 3 emissions' progress in the context of these pathways and/or at least disclose energy- and carbon-intensity data per property type for each country. We also strongly encourage companies to disclose Scope 3 emissions at the organization-level as data becomes available to the issuer, understanding data access of indirect business emissions/activity remains an ongoing issue. In addition, to gain more insight into the extent of physical climate risk exposure, we also ask them to disclose asset locations, together with an assessment of the exposure to asset-level physical risks and implemented adaptation/resilience measures. In order to reduce the reporting burden on companies, we are also in favor of implementing a global standardized disclosure sheet and in encouraging the disclosure of green building certification rating levels.

Action 2: Implement a strong governance framework for climate change and sustainability

Real estate companies need to implement strong governance frameworks that clearly articulate the board's accountability for and oversight of climate change and sustainability. These should include measures to incentivize management through the remuneration structure to address climate-related risks as a key factor in the company's future strategy. This also extends to ensuring where appropriate that policy engagement by the company, or indirectly via third parties with the company's support, contributes to establishing effective measures to limit global warming to *well below 2 degrees Celsius*. We believe that an effective governance structure is an integral part of sound risk management. As a result,



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we strongly encourage real-estate companies and funds to adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This means setting ambitious short-, medium- and long-term targets, monitoring and periodically evaluating these, and reporting on implementation plans and capital expenditure.

Action 3: Develop science-based transition pathways to help meet Paris Agreement goals

We urge real estate companies and funds to set targets at individual asset level that are compliant with science-based transition pathways like the Science Based Targets initiative (SBTi) or, preferably, the Carbon Risk Real Estate Monitor (CRREM) for all assets. These should incorporate intermediate goals to reduce energy intensity and greenhouse gas emissions compatible with the Paris Agreement's goal of limiting global warming to *well below* 2 degrees above pre-industrial levels, and aiming for 1,5 degrees. The targets should also be based on viable and credible individual asset business plans. Finally, we encourage the broad-based use of internal carbon price projections in, for example, retrofit decision-making processes to better reflect the potential range of transition pathways.

Action 4: Promote certified data across the portfolio, such as building certification

Voluntary green building certification schemes such as BREEAM In-Use, Green star Performance and LEED-EBOM, capture a broad range of sustainability issues at individual building level, for example, by measuring and promoting the resilience of individual assets. Such schemes offer a level of disclosure which exceeds current legislative requirements. In order to assess sustainability performance and regulatory risks, we strongly encourage real estate companies and funds to strive to obtain green building assessments for all the assets in their portfolios and to use certification to set targets to increase the sustainability characteristics and performance of their buildings. We also advocate standardization of certification to improve comparability both within and between real estate portfolios.

We appreciate your time and effort

We want to thank you for reading this investor statement and ask you to take our four actions into consideration in the formulation and implementation of your sustainability and climate risk policy. If you have any questions regarding this statement, please contact the Global Real Estate Engagement Network (email: info@green-engagement.org; phone: +31 30 2335499) or one of the signatories directly.

This investor statement has been signed by the following asset owners and asset managers:

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APG

Wellington Management

Pensioenfonds Metaal & Techniek



Pensioenfonds voor de Metalektro

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Pensioenfonds Detailhandel

Robeco

Neuberger Berman

Nedlloyd Pensioenfonds

Stichting Pensioenfonds TNO

Pensioenfonds Philips

Pensioenfonds Achmea

Pensioenfonds BPF Schilders

Vert Asset Management

Trillium Asset Management

Centersquare

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Anlagestiftung Testina

Sarasin & Partners

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Finance Ideas

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