



Sustainable real-estate investments are often characterised by various sustainability benchmarks and certificates, which set varying requirements. How do these efforts result in a more sustainable organisation? To what extent can the organisation's sustainability performance be assessed by the market?

An article by Rudy Verstappen, ESG Research Manager for Altera Vastgoed.

Utility and necessity of ESG Benchmarking in real estate

This article provides insight into Altera Vastgoed's vision on ESG benchmarking and the perceived benefits and key points associated with it. Although we also engage in asset-level certification (e.g. GPR-Gebouw for our residential properties and BREEAM-in-Use for our retail properties), this article focuses on the UN PRI and GRESB benchmarks. These are aimed at the organisation and the real-estate portfolio. What are the UN PRI and GRESB benchmarks?

UN PRI

The UN Principles for Responsible Investment (UN PRI) are regarded as the world's largest proponent of responsible and sustainable investment. The initiative was established by the United Nations. The objective of the UN PRI is to understand the investment implications of environmental, social and governance (ESG) factors. They also support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The UN PRI are based on accepted international treaties that are aimed at institutional investors. They consist of a list of six ambitious, voluntary principles that offer a number of possible measures for including ESG aspects in investment practice:

- Principle 1** We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4** We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5** We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6** We will each report on our activities and progress towards implementing the Principles.

Sustainability performance of Altera Real Estate

Altera is GRESB 2020 Global Sector Leader Residential and again achieved 5 stars for both funds. In the UN PRI Survey, Altera Vastgoed has achieved the highest possible score in 2020 with the highest achievable score of A+. In March 2020, Altera received the Retail GRESB/ BREEAM Award for the most sustainable investor Retail.



The signatories of the UN PRI are required to complete an annual questionnaire about their activities relating to responsible investment. This results in a standardised instrument for sustainability reporting. It also ensures that the signatories receive feedback from which they can learn, so that they will be able to develop themselves with regard to responsible investment. The UN PRI instrument considers all asset categories, thus extending beyond real estate alone (e.g. to include public listed equity, fixed income and private equity). The benchmark questionnaire is completed by asset owners, asset managers and service providers throughout the entire financial sector. In the past year, more than 2,700 investors around the world, representing invested capital valued at more than € 87 billion, participated in the benchmark study. The Strategy & Governance module is compulsory for all participants in all asset categories. The supplementary 'Direct - Property' module is compulsory specifically for real-estate investors.

GRESB

The Global Real Estate Sustainability Benchmark (GRESB) is another worldwide, annually recurring sustainability benchmark. The GRESB assesses and benchmarks real estate (and infrastructure) with regard to sustainability. Investors established the GRESB in order to enhance insight into the ESG performance of their real-estate investors. The GRESB is aimed at both the level of management organisation and the level of real-estate funds and assets. It considers the policy of the organisation and the performance of the real estate, taking into account both qualitative and quantitative data. It extends beyond the environment alone, as social (S) aspects and corporate governance (G) also play an important role in the assessment. It is therefore an integral manner of measuring sustainability in the real-estate sector. The questions are divided into two categories. The first is management. It consists of Leadership, Policy, Reporting, Risk Management and Stakeholder Engagement, and it comprises 30% of the total number of points that can be earned. The second category is Performance, which consists of Risk Assessment, Targets, Tenants & Community, Energy Consumption, Greenhouse Gases, Water Usage, Waste Production, Data Monitoring & Review and Building Certificates, comprising 70% of the total number of points that can be earned.

In 2020, a total of 1,200 real-estate investors and developers around the world participated in the study. This group represents a total value of € 4.1 billion in invested capital.

Added value of benchmarks

Altera has participated in the GRESB since 2012, and it has been a signatory of UN PRI since 2017. Each year, Altera shares its data for the purpose of measuring the objectives and results. We do this because we perceive the following added value:



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Objective validation. For Altera, the annual benchmarks serve as an objective validation of our performance. We are proud of the way in which we address sustainability within our organisation, but a good score on the benchmark demonstrates that external parties have also recognised this in an objective manner and that we are addressing the right matters. This is particularly the case for questions that require the submission of a burden of evidence.

Internal improvement opportunities. We are always striving to optimise our sustainability performance, and the outcomes of the benchmarks provide us with a possibility to identify improvements at the level of assets, portfolios and managers. This information is used to ensure that our policy, implementation and reporting is kept up-to-date.

New topics. Given the continuing renewal of the benchmark questions and the topics of the benchmarks, often in response to revised or new legislation and regulations, our organisation is expected to demonstrate a certain amount of flexibility. Our participation in the benchmarks allows us to continue to anticipate such developments in a timely manner and to have our progress measured. Examples include climate adaptation (Resilience) and Health & Well-being in the GRESB benchmark, and the compulsory report on aspects including climate-related risks according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in the UN PRI.

Transparency towards stakeholders. Participation in these benchmarks ensures further transparency towards our stakeholders with regard to our sustainability policy and associated performance. Because we report on this each year, we receive a uniform, consistent and objective overview of our results.

Peer benchmarking. How are we doing in comparison to our colleagues within the sector? This is particularly well-reflected by the GRESB, as it is based on a position for each sub-sector with regard to the benchmark average. The UN PRI is based on categories (A+ t/m E), but it provides an overview of all asset classes, thereby helping investors within and between asset classes to recognise the leaders and laggards. Investors that consider sustainability criteria in the selection of their managers can use the outcomes of the benchmarks for this purpose. We observe that this is becoming increasingly common. The benchmarks can also serve as a part of engagement meetings between investors and real-estate managers.

Integration of other tools. Interaction is increasing between the ESG benchmarks and other tools. Examples include interaction between the UN PRI and the recommendations of the leading climate-reporting requirements of the TCFD and between the GRESB and the Carbon Risk Real Estate Monitor (CRREM) and the Science-Based Targets initiative. These tools offer a practical way of implementing the requirements of the benchmarks. In addition, the data that are collected for the benchmarks can be used in these sustainability tools.

Key points of attention in the use of sustainability benchmarks

Another result of using the sustainability benchmarks to measure the ESG policy is that the outcomes are translated into further improvements within the organisation. There are obviously also key points of attention to be considered with regard to the use of sustainability benchmarks. We advise taking the following aspects into consideration in this regard.

Changes in methodology: The world surrounding sustainability is changing rapidly, and it is good that ESG benchmarks keep up with the times and incorporate the newest criteria. At the same time, however, continuous changes in methodology or the research process make it difficult to formulate policy for longer periods and to measure progress in a consistent manner.

Information is not yet complete: Although the various benchmarks focus on sustainability in the real-estate sector, full uniformity between the various benchmarks does not yet exist. The approach of the different benchmarks is a distinguishing characteristic with regard to their approach or angle. This expands the field of vision, given that sustainability is a large and diverse topic. It nevertheless places considerable demands on the organisation. Fortunately, cooperation and coordination are increasing (e.g. between the GRESB and the UN PRI).

Time and effort: Real-estate managers wishing to participate in several different benchmarks and to complete them in an exhaustive manner will obviously have to spend time on them. The collection and interpretation of information requires effort from the entire organisation, and not only from the sustainability manager or team. The data that have been collected can be distributed to multiple benchmark entities. For this reason, Altera is working to digitise this process, while also allocating dedicated resources to sustainability. This will ensure that the benchmark process will provide guidance for the further implementation and professionalisation of sustainability within the organisation.

Retention of consistency and detail in the validation of the responses: As stated previously, one strength of benchmarks is that responses are validated objectively. The retention of this aspect calls for innovative ways of collecting and verifying the burden of proof. Despite the fact that the submission of the burden of proof requires additional time from participating parties, it is important in order to guarantee the reliability of the outcomes.

Benchmarking is not everything: Although the worldwide benchmarks provide a good starting point for the identification of opportunities and topics for improvement, it is important to consider other topics that might be relevant as well. For example, some topics are at play only at the local level (e.g. the discussion concerning natural gas in the Netherlands). Other topics are included in the benchmarks only occasionally (e.g. circularity and biodiversity). At Altera, we promote and adopt this broad, future-oriented view on sustainability.

Conclusion

As the real-estate sector, we are able to make use of the very high quality benchmarks, including those of the GRESB and the UN PRI. We are major proponents of their use, as well as of their continued renewal and improvement, in cooperation with the sector. As a guideline, it helps use in the process of increasing the sustainability of the real estate and the organisation. Participation increases transparency, as it provides those of us in the sector with a consistent means of sharing information with stakeholders. In the case of consistently favourable results on sustainability benchmarks, we obviously expect that investors will continue to regard real estate as a profitable, future-proof investment.