



PRESS RELEASE

Investors fund new initiative to assess climate change transition risk in global real estate investment portfolios

Amsterdam, September 16, 2019

An investor-led initiative launched today will help real estate investors and managers to assess, manage and mitigate climate risk and to develop climate scenario-based strategies. The research will be carried out by the Austria-based Institute for Real Estate Economics (IIÖ), with the support of GRESB, the ESG Benchmark for Real Assets, and funded by APG, PGGM and Norges Bank Investment Management (NBIM).

The future implementation of carbon regulations consistent with the goal of the Paris agreement to limit global warming to 2 degrees or less is one of several plausible scenarios for future climate transition risk. The initiative will develop 1.5 and 2-degree decarbonization pathways for real estate assets by applying global carbon budgets as identified by the Intergovernmental Panel on Climate Change (IPCC). Each pathway will extend to 2050 and be comprised of annual estimates of building-related carbon emissions and energy performance – expressed in kWh per m²/ft² and CO₂ per m²/ft² respectively – aligned with the global warming goals as set out in the Paris agreement.

The initiative builds on the Carbon Risk Real Estate Monitor (CRREM)* project, funded by the European Commission, which analyzed carbon risk in the European commercial real estate sector earlier this year. This initiative will expand the CRREM project to include major real estate markets outside the EU, and the residential sector. The decarbonization pathways developed for each market and sector can be used as a proxy measure for transition risk and help the real estate industry meet the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

“Decarbonization pathways based on a transparent methodology that is aligned with the Paris Agreement offer a tool for understanding and managing transition risks, enabling investors to benchmark assets and derive significant risk indicators. The positive industry feedback in the CRREM project confirms this conviction and it seems to be the logical next step to extend the approach we developed for EU commercial real estate to further countries and the residential sector.”

Prof Dr Sven Bienert, Managing Director, IIÖ Institute for Real Estate Economics

“Property type-specific transition pathways will be an important addition for assessing the ESG performance of both listed and private real estate investment portfolios. The transition pathways enable GRESB to not only assess ESG performance against industry peers, but also against the commitments made in the Paris Climate Agreement. For the wider real estate investment industry, the pathways will be an important tool to understand and mitigate the long-term systemic risk associated with the retrofit investments required to transition to a low carbon economy.”

Sander Paul van Tongeren, Managing Director of GRESB

The decarbonization pathways will be released for public consultation by February 2020. Relevant market participants, including investors, managers, Real Estate Investment Trusts (REITs), green rating systems and other stakeholders, are encouraged to share their views on the decarbonization pathways and help develop a common language for assessing climate transition risk in real estate.

For additional information on the project methodology, see the [CRREM report ‘Stranding Risk & Carbon’](#).



About APG Group NV

APG is the largest pension delivery organization in the Netherlands; its approximately 3,000 employees provide executive consultancy, asset management, pension administration, pension communication and employer services. APG performs these services on behalf of (pension) funds and employers in the sectors of education, government, construction, cleaning and window cleaning, housing associations, energy and utility companies, sheltered employment organizations, and medical specialists. APG manages approximately €514 billion (June 2019) in pension assets for the pension funds in these sectors. APG works for approximately 21,000 employers, providing the pension for one in five families in the Netherlands (about 4.6 million participants). APG has offices in Heerlen, Amsterdam, Brussels, New York and Hong Kong.

www.apg.nl/en

About PGGM

PGGM is a cooperative Dutch pension fund service provider. Institutional clients are offered: asset management, pension fund management, policy advice and management support. On June 30, 2019 PGGM had EUR 238 billion in assets under management and was administrating pensions of 4.4 million participants. Around 750,000 workers in the Dutch healthcare are connected to PGGM&CO, our members organization. Either alone or together with strategic partners, PGGM develops future solutions by linking together pension, care, housing and work.

www.pggm.nl

About Norges Bank Investment Management

Norges Bank Investment Management manages the Government Pension Fund Global according to a mandate set by the Norwegian Ministry of Finance. The mission is to safeguard and build assets for future generations. Ultimately, the fund's assets are held by the government on behalf of the Norwegian people. The Ministry determines the fund's investment strategy, following discussions in Parliament. The fund is invested 69.3 percent in equities, 28.0 percent in fixed income and 2.7 percent in unlisted real estate. The fund's annualised return since the start of 1998 is 5.9 percent measured in a currency basket. Assets under management are USD 1 trillion.

www.nbim.no

About IIÖ Institute for Real Estate Economics

The IIÖ Institute for Real Estate Economics has a successful track record in the fields of research, valuation as well as strategy and transaction consulting for private and public customers. Prof Sven Bienert – IIÖ Founder and Managing Director – has been involved in the development of national and international valuation standards. Together with IIÖ Head of Research Jens Hirsch, he authored many scientific and non-scientific publications on the topic of sustainable real estate and developed a geographic information system to assess natural hazards in Germany. IIÖ is leading the international research project *CRREM* that develops Paris-aligned decarbonization targets for the European commercial real estate sector.

About GRESB

Mission-driven and investor-led, GRESB is the environmental, social and governance (ESG) benchmark for real assets. We work in collaboration with the industry to provide standardized and validated ESG data to the capital markets. The 2019 real estate benchmark covers more than 1,000 property companies, real estate investment trusts (REITs), funds, and developers. Our coverage for infrastructure includes 500 infrastructure funds and assets. Combined, GRESB represents USD 4.5 trillion in real asset value. More than 100 institutional investors, with over USD 22 trillion AUM, use GRESB data to monitor their investments, engage with their managers, and make decisions that lead to a more sustainable real asset industry.

www.gresb.com

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