

## Green Governance

### A holistic approach for feasible and successful Net Zero Transition Plans in the real estate industry

The CRREM initiative releases a report on Green Governance and how to implement and develop feasible Net Zero Transition Plans in the real estate industry. The report was authored by the CRREM team and supported by EPRA and UNEP FI.



**Munich** – 25. April 2024 – Net Zero commitments are becoming increasingly popular in the real estate industry, but implementing the sector-specific changes that a commitment entails poses still a major challenge for most market participants. Based on 25+ interviews, analyzing many companies decarbonization efforts and intensive literature research the authors shed a light on challenges, pitfalls and most important develop a clear approach for the implementation of valid and credible transitions plans. The report also showcases 12 Best-practice examples for various measures that leading real estate players have already successfully adopted.

The report aims to support the industry in accomplishing full decarbonization until 2050 with a holistic and sector-specific framework. In addition to the white paper, CRREM has developed an Excel-based self-assessment guide to help boards identify initial areas for action to improve or develop net zero transition planning.

The lessons learned provide guidance for investors, asset-managers, developers and other market participants globally as they take action to decarbonise their real estate portfolios.

#### Main lesson learned:

- **Despite a more challenging economic environment the pace for decarbonization and Net Zero target setting is globally still gaining momentum. Market participants expect even more regulation and market demand for decarbonized asset in the future.**
- **In many cases a clear gap between Net-Zero commitments made and implemented measures to decarbonize can be noted. Market participants must be careful to avoid greenwashing.**
- **Ensuring a sound transition plan is part of the fiduciary duty of company leaders. Neglecting the need to address transition risks will expose especially real estate portfolios to financial risk.**
- **While many frontrunners and Best-practises can be identified, we also noted many laggards.**
- **Including Scope 3 emissions in companies' efforts is becoming more relevant.**
- **Defining granular goals and milestones is evolving. Setting even targets for renewable energy production on-site and other KPIs are increasingly important.**

- **Internal carbon pricing and linking decarbonization measures to regular Capex cycles supports favorable cost-benefit-results.**
- **There was a clear consensus that more granular data to steer the process is needed going forward. Measurement of carbon intensities matures, and investment in software solutions are taking place.**
- **Only a holistic approach can implement the profound changes that are needed. This would require fundamental changes related to processes and organizational set up.**

**Hassan Sabir (EPRA):**

“This white paper embodies our dedication to sustainable development within LRE. It outlines the current regulatory environment with its risks and opportunities, simplifies ESG concepts, and points to strategies and practical tools for achieving Net Zero emissions. Our aim is to empower industry stakeholders to transform real estate into a force for good, leading the way in environmental stewardship and community well-being.”

**David Carlin (UNEP FI):**

“This report offers a valuable framework for the implementation of green governance within firms in the real estate sector. It focuses on specific measures for setting targets and formulating feasible strategies, aligning organizational structures with transition plans, and establishing monitoring and reporting commitments through a self-assessment tool. The report not only presents opportunities for financial institutions to enhance their own governance procedures but also emphasizes their role in supporting clients with successful transition plans and achieving climate goals. It underscores the importance of sound governance in ensuring accountability and meeting the challenges the transition will present”.

**Susanne Eickermann-Riepe FRICS (ICG - Institut für Corporate Governance, RICS):**

“This report shows that the industry is taking a comprehensive look at what a successful strategy for Net Zero could look like and what framework conditions need to be considered. Addressing the requirements, opportunities and risks, but also solutions, will help us to bring about positive change in the built and natural environment.”

**The report** “Green Governance: A holistic approach for feasible and successful Net Zero Transition Plans in the real estate industry” and the corresponding self-assessment tool **can be accessed and downloaded** via:

<https://www.crrem.eu/publications/reports/>

**The report was also kindly supported by:**



### **About EPRA**

EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. With more than 290 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 840 billion of real estate assets<sup>1</sup> and 95% of the market capitalisation of the *FTSE EPRA Nareit Europe Index*.

EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, promotion of best practices and the cohesion and strengthening of the industry. Find out more about our activities on [www.epra.com](http://www.epra.com)

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### **About UNEP FI**

UNEP Finance Initiative brings together a large network of banks, insurers and investors that catalyses action across the financial system to deliver more sustainable global economies. For more than 30 years the initiative has been connecting the UN with financial institutions from around the world to shape the sustainable finance agenda. It has established the world's foremost sustainability frameworks that help the finance industry address global environmental, social and governance (ESG) challenges. Convened by a Geneva, Switzerland-based secretariat, more than 500 banks and insurers with assets exceeding US\$100 trillion are independently implementing UNEP FI's Principles for Responsible Banking and Principles for Sustainable Insurance. Financial institutions work with UNEP FI on a voluntary basis and the initiative helps them to apply the industry frameworks and develop practical guidance and tools to position their businesses for the transition to a sustainable and inclusive economy.

*Contact:* <http://www.unepfi.org>

### **About CRREM**

The Carbon Risk Real Estate Monitor (CRREM) is the leading global initiative for establishing targets for operational carbon emissions for standing real estate investments consistent with the ambitions of the Paris agreement. CRREM publicly released decarbonisation pathways that translate the ambitions of limiting global warming to 1.5° C by the end of the century into regionally- and property-type-specific trajectories against which real estate assets and portfolios can benchmark themselves. CRREM is aligned with the leading international accounting and reporting frameworks, disclosure guidelines and recommendations published by initiatives working within the field of decarbonisation and real estate. The initiative was initially an EU project and is now being funded by the Laudes Foundation as well as APG Asset Management, PGGM and Norges Bank Investment Management, and supported by major industry bodies.

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<sup>1</sup> European companies only