IPF Investment Property Forum

14 June 2022

Draft technical guidance: Accounting and reporting of financed GHC emissions from real estate operations.

IPF responses to questions 7-9 in the joint consultation survey by GRESB, Partnership for Carbon Accounting Financials (PCAF) and CRREM

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7. Are the recommendations and guidance clear to inform practical implementation?

The IPF welcomes the proposed jointly developed Technical Guidance ("Guidance") and agrees that there is a need for consistent and harmonised real estate metrics for reporting GHG emissions that provide investors with a greater understanding of climate–related, sustainability disclosure and holistic ESG performance for the real estate asset class. We also agree with the whole building approach for real estate.

The Guidance acknowledges the importance of obtaining credible data and the fact that there can be challenges in data collection. Data coverage, particularly tenant data collection, and quality are key challenges for the real estate sector. It is not always possible to collect the data required as it is generally only in newer leases that occupiers are contractually bound to provide energy and other utility data to the property owner and in some jurisdictions there is no statutory requirement for residential tenants and commercial occupiers to co-operate in this regard. This problem is going to be exacerbated with GHG Scope 3 requirements when data on indirect emissions will need to be collected such as tenant demise, common parts, embodied carbon across the life cycle and potentially associated transport emissions. In addition, there are significant data protection complexities for institutional residential landlords and operators even if they are able to gain access to energy data via the utility company and/or tenants/occupiers.

If, for whatever reason, energy consumption data is not available then the Guidance says this should be estimated. Given that differing sources of emission factors can cause significant variances in reported emissions, we suggest that more information should be provided on which emission factors to use in arriving at an estimate so there is consistency in the approach.

We hope that the ESG metrics for real estate GHG emissions will be made available free of charge to the real estate industry in order to encourage widespread adoption.

8. Do you believe that the Technical Guidance works to mitigate greenwashing of financial portfolios and supports raising the ambition level?

Greenwashing needs to be addressed and we hope that a consistent set of metrics for reporting GHG emissions for the real estate asset class will help in tackling this issue

9. Are there any important topics that are not addressed that you feel need to be included for the document to be effective?

There is no reference to PCAF's emission factors database within the Guidance.

We have concerns about the number of organisations publishing different recommendations for reporting ESG factors. While it is encouraging that the Guidance brings together the requirements of GRESB, CRREM and TFCD, we would like to see alignment with regulatory requirements too, such as the EU's Sustainability-Related Disclosure Regulations (SFDR) and the UK regulator, Financial Conduct Authority (FCA) Climate-Related Disclosures rules and their proposals for Sustainability Disclosure Requirements (SDR). On this point, we would draw you attention to:

a. The AREF/IPF paper (Metrics for Commercial Real Estate (CRE) – Alignment in response to FCA (consultation) CP21/17) supported by real estate associations in the UK and mainland Europe on ESG metrics for real estate – a copy can be found at **ipf.org.uk/industry-involvement/responses-to-consultations**. The real estate specific metrics for TCFD reporting mentioned in the paper aim to facilitate consistency of disclosures across the EU and UK as well in other regions as the TCFD's recommendations are implemented. The TCFD has included the IPF /INREV/AREF webinar on these real estate proposals on its knowledge hub here: https://www.youtube.com/watch?v=I8Vg08Ze-tk.
b. The paper submitted to the FCA on 13 April 2022 (Proposals - ESG metrics for Real Estate). Subsequent to the submissions to the consultation, Enhancing climate-related disclosures by asset managers, life insurers, and FCA regulated pension providers, the FCA invited real estate industry groups to put forward proposals as to how the large UK pension funds and fund managers with real estate investments could meet the requirements of TCFD guidelines, and in response to the FCA`s Discussion Paper (DP21/4) on sustainability disclosure requirements and possible alignment with SFDR. This paper, written by AREF, BPF, CREFC Europe, INREV, IPF, Pensions for Purpose, Social Market Foundation and The Good Economy, is also available to download at **ipf.org.uk/industry-involvement/responses-to-consultations**. The principles and real estate specific metrics within the paper aim to facilitate consistency of disclosure internationally; for example, the paper will be shared with the Securities and Exchange Commission in the US, who are currently consulting on their own Climate-Related Disclosures rules.

It would be helpful to have more information as to how the Guidance will be promoted to the real estate industry.