





## Complexity of processes and lack of normative frameworks are the key challenges for ESG integration

Complexity of processes and lack of normative frameworks are seen as the most important challenges for systematic and explicit consideration of ESG factors into assets valuation.

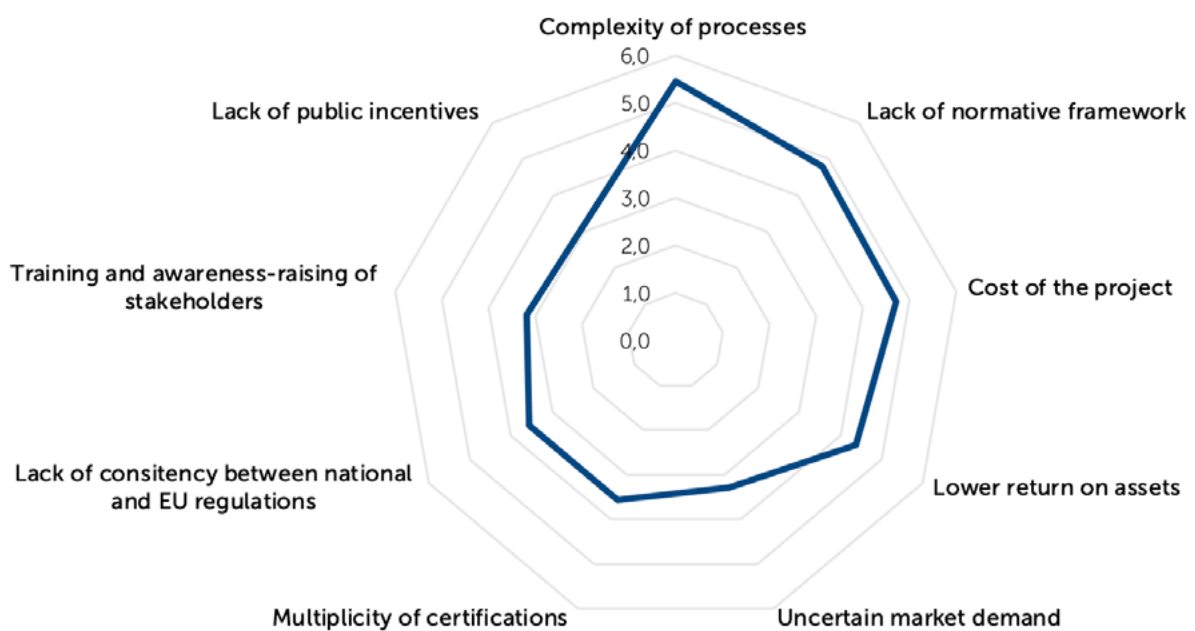
- Real estate investors value **green buildings** more than conventional buildings and consider them as a **key lever to accelerate the transition**.
- More than 60% of the real estate market players closely monitor **energy and carbon** issues.
- **Carbon, regulation and availability and quality of the data** are priority ESG topics but also among the **most complex to address**.

The main objective of the study is to conduct a **broad evaluation of real estate investment practices** to draw inspiration for better practices, and to have a global understanding of the **prospective views** of the sector on ESG.

This study is based on a **quantitative survey** that gathered 93 responses from **European institutional investors, fund managers and property companies**, as well as 25 **interviews** with leading real estate professionals in Europe.

**Complexity of processes** and **lack of normative frameworks** are considered as the most important challenges by the 93 respondents to the survey. Those results are in line with the feedback from most of the interviewees who also consider the complexity of processes as a key challenge, especially with regards to **reporting requirements and resources involved**.

**Fig 1: Classification of main challenges based on the average of answers\***



\* The challenges have been ranked from 1 to 9 by the respondents (1 = less important challenge, 9 = very important challenge)



## Energy and carbon issues are closely monitored by a majority of real estate market players

The interviewees also highlighted the **lack of normative frameworks**, in particular for biodiversity, circular economy and data management.

**Cost of the project and lower return on asset** are in the top three barriers for ESG integration of institutional investors and property companies.

This underlines that **valuing investments is a major challenge for ESG integration**, especially when it comes to **demonstrate a superior risk** adjusted return coming from investment in green buildings.

A majority of the survey respondents take into account environmental issues and most of them have **defined specific target figures for energy and carbon**. This may be explained by the fact that those issues are highly regulated, and have been taken into account by market players for years.

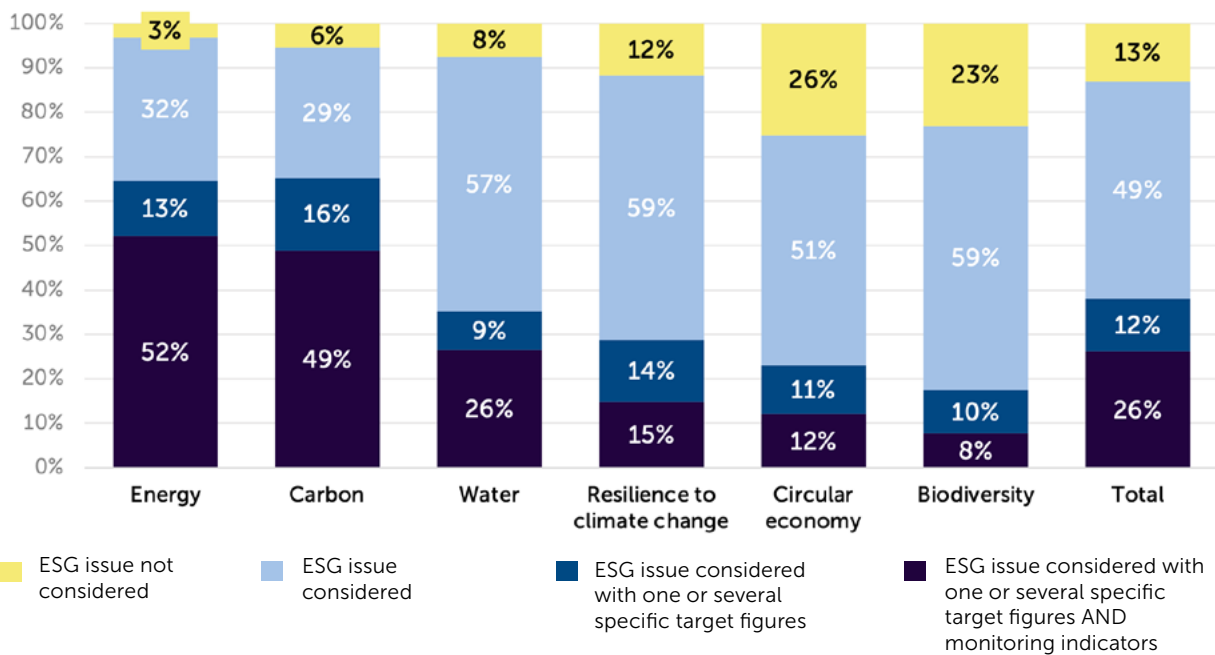
The ability to **upgrade the existing stock and demonstrate progress** year after year is perceived by the interviewees as the most valuable initiative to address the **carbon issue**, but also one of the most complex.

On the other hand, **social and governance** issues are considered but poorly monitored so far by a majority of respondents.

**Health and security of users** is the first social issue taken into account by the respondents, being driven by **regulation** and enhanced by the current **health crisis context**.

Surprisingly, no respondent referred to the **crisis management and business continuity planning** governance issue despite the current health emergency.

**Fig 2: Integration of metrics for environmental issues, by all type of respondent**





# Environmental and governance issues are the top priorities and the most complex ones to implement

The real estate market players interviewed also consider **regulation and the availability and quality of data** as complex but priority ESG topics.

According to them, **regulations drive sustainable best practices** within the real estate sector but **lack harmonisation** between local and European regulations.

Although there are different levels of understanding and preparation for the **European taxonomy** among the respondents, there is a consensus that the taxonomy will move the real estate sector forward and **accelerate the transition** by providing a **single market standard**.

However, to reach significant impacts, real estate market players expect the taxonomy to address in priority the issue of the **refurbishment of the existing buildings** and to clarify its application according to **local legislation**.

**Data management** is considered as a strategic priority for the real estate market players but

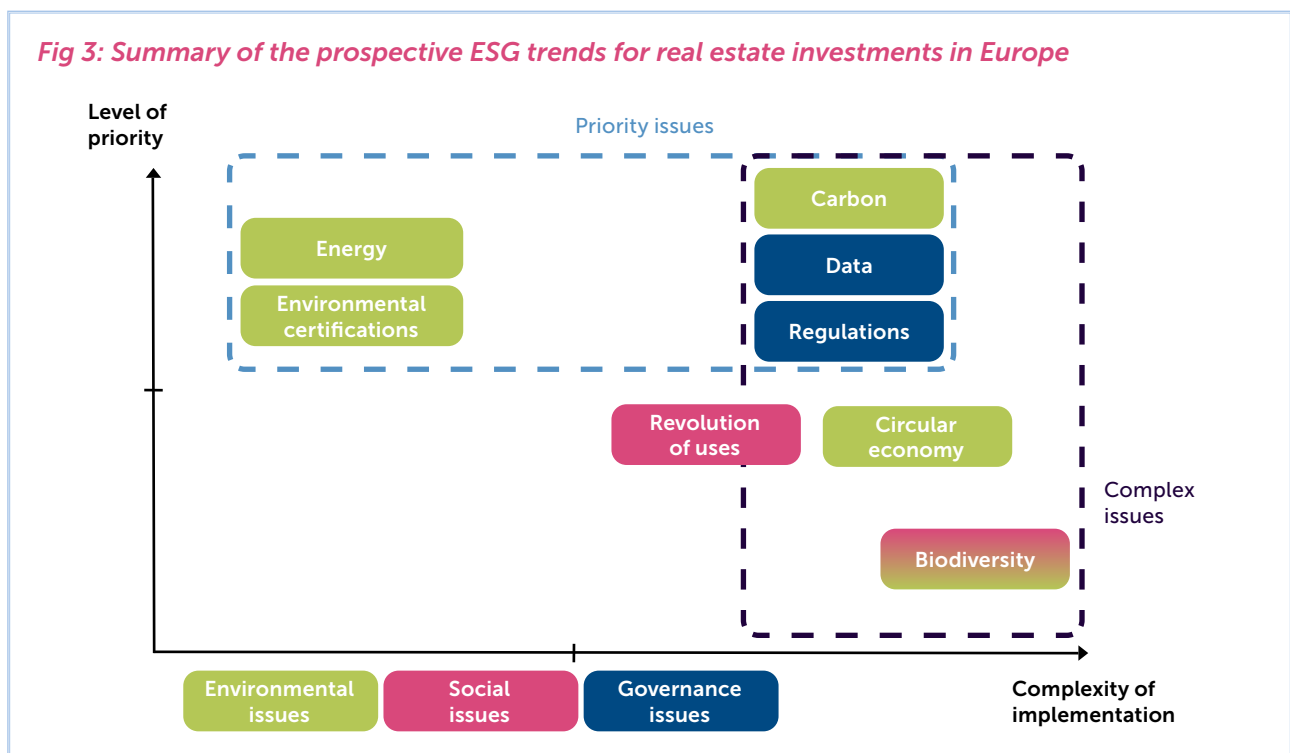
they expect a **unified approach** in terms of **data collection and quality**.

Data technologies are also supporting **new use cases of the building** that are developing and lead the real estate market players to rethink the building as a **hub for shared services**.

The interviewees are more mature on the **energy efficiency and environmental certifications issues**, which therefore seem less complex to implement and consist more of a **license to operate**.

**Circular economy** is perceived as a good lever for decarbonisation but requires a **technical and normative framework** to structure the process and the supply chains.

The lack of a **unified approach and guidelines** on how to address **biodiversity** in a concrete and pragmatic manner makes it one of the **most complex issues** to implement.



For further details contact [contact@greensoluce.com](mailto:contact@greensoluce.com).  
The full report is available at [www.greensoluce.com](http://www.greensoluce.com).