

# Responsible Property Investment

## 2014 FIGURES IN FRANCE

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French unlisted real estate funds are progressively taking account of non-financial themes beyond the energy consumption and CO<sub>2</sub> emissions of buildings. The Novethic research centre conducted a survey to map these practices. Thirty-two managers of French unlisted real estate funds with €89.8 billion of assets under management responded.

### FROM ENERGY ANALYSIS TO MULTI CRITERIA APPROACHES

Although the majority of respondents still focus mainly on energy performance, multi-criteria approaches are being introduced. More than half of respondents (17 asset managers) have developed formalised Environmental, Social and Governance (ESG) policies. However, the processes for integrating ESG criteria (rating of real estate assets, environmental analysis, etc.) and the handling of social and governance themes vary greatly. Altogether, only €2.88 billion of assets are managed taking account systematically of ESG criteria.

#### Declared SRI Funds and Mandates **€2.88 bn**

**13** funds and mandates are declared SRI. The asset managers in these cases refer to a multi-criteria rating system in selecting or managing assets.

#### ESG monitoring of portfolios **€16.9 bn**

**7** respondents say they do environmental and social analyses covering more than energy performance and accessibility for people with reduced mobility. However, these analyses are not performed in as much depth as those for SRI, nor are they always systematic.

#### Responsible investing policy **€56.5 bn**

**17** asset managers have a formalised responsible investment policy for all or some of their real estate assets. However, these policies are generally not applied to all funds, and do not always translate into ESG analyses for all assets in them.

#### Energy performance analysis

**28** asset managers analyse at least energy performance in managing their real estate assets. Projects to improve energy performance are becoming standard practice for large office properties, but targets with precise figures are rarely set at the fund level.

# INTEGRATION OF ENVIRONMENTAL AND SOCIAL CRITERIA

## Formalisation of ESG policies at asset managers level

AuM covered by responsible policy (in €bn)



Source Novethic

17 respondents declare having a formalised responsible policy, corresponding to funds representing €56.5 billion. Out of them, 10 disclose their policy on their website. Main topics covered concern mainly energy, water, waste, relations with tenants, as well as governance. In addition, 11 respondents are signatories of the Principles for Responsible Investment (PRI), an international initiative in which signatories commit to integrate ESG criteria into their process and to report on their practices

## Analysis during the investment selection process

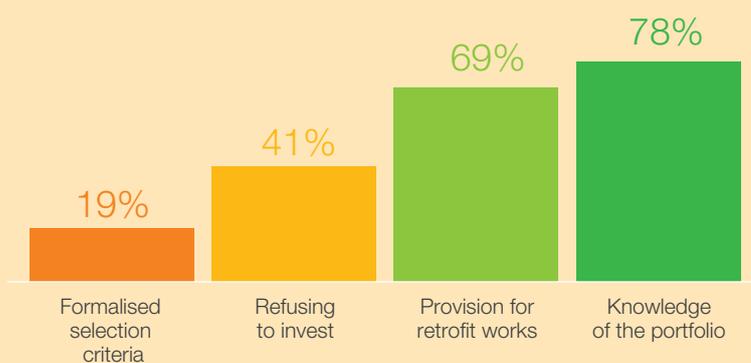
Share of the sample analysing non-financial criteria during the selection process



Source Novethic

A 31% of respondents analyse environmental and social criteria for at least part of their new purchases. Water and waste are the main environmental topics considered beyond energy and regulatory analysis for pollutants such as asbestos. Besides accessibility for disabled people, analysis of social criteria remains very heterogeneous with criteria including health and comfort, impact on local development, safety or social mixing.

Share of the sample by types of use of the non-financial data

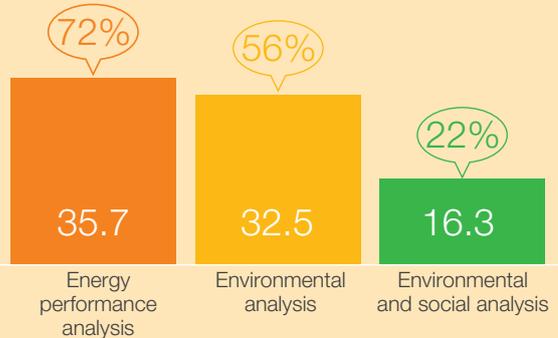


Source Novethic

A 69% of the sample uses this analysis to identify and provision retrofit works. 41% of the respondents also declare that the analysis may lead to the abandonment of potential investments. However, 19% of the sample has formalised this into discriminating criteria, based mostly on a minimum energy performance threshold, or on the exclusion of the assets having the worst ratings on a multi-criteria assessment.

## Monitoring of the performance during the holding period

AuM monitored on non-financial performance (in €bn) and share of the sample concerned



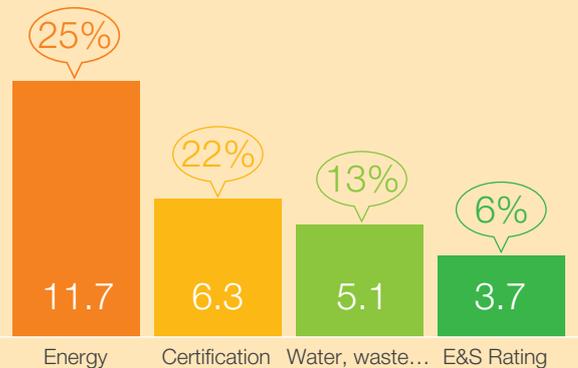
A 22% of the sample completes a multi-criteria environmental and social analysis on at least part of their portfolio under management representing €16.3 billion. The monitoring can result from actual data measured annually (invoices, meters) or from simplified rating systems, in particular for social criteria.

Source Novethic

## Improvement of the performance

For most of the sample, actions to improve the non-financial performance of the assets are completed on a punctual basis according to opportunities afforded by retrofit works and the end of lease of tenants. All in all, 69% of the respondents state they have a policy to improve the energy performance of their portfolio, but only 25% formalize their policy into detailed performance targets.

AuM covered by performance targets (in €bn) and share of the sample concerned



The assets under management covered by energy performance targets amount to €11.7 billion. Besides, 6% of the sample declares having formalised a target on the environmental and social ratings of at least part of its portfolio.

Source Novethic

## Relations with contractors

Share of the sample having formalized ESG criteria in their relations with contractors



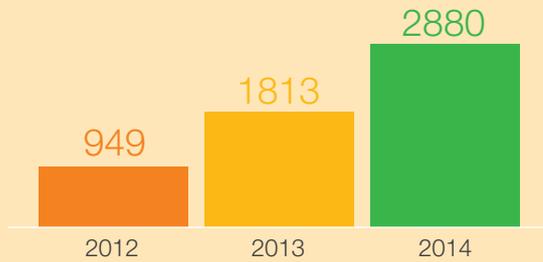
A 44% of the sample has formalised non-financial criteria into its contracts with property managers. These criteria involve compliance with asset managers' charters and ESG policy, and/or the formalisation of missions associated with the collection of environmental data and the obtaining of labels and certifications. Last, 16% of the sample declares to examine sustainability policies before selecting property managers.

Source Novethic

# RESPONSIBLE INVESTMENT FUNDS AND MANDATES

## Declared SRI funds and mandates (socially responsible investment)

Evolution of declared SRI AuM (in €M)



Source Novethic

Eleven real estate funds and two mandates are declared SRI. An essential feature is that assets are rated on the basis of multiple environmental and social criteria when they are acquired and/or while they are held.

The corresponding real estate assets under management came to €2.9 billion. The amount was up 59%, compared with 2013. This growth was due to the creation of a new mandate and good investment in existing funds.

## Type of management

Breakdown of declared SRI AuM by type of management

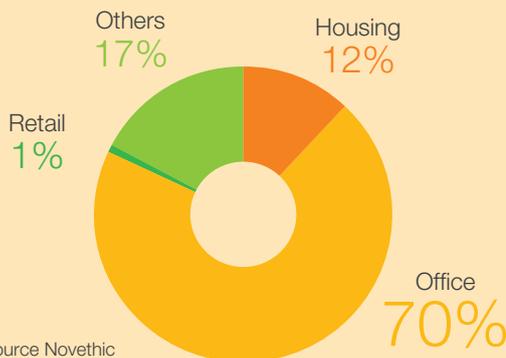
Year	2013	2014
Delegated management	867	1 549
Pooled funds	946	1 332

Source Novethic

Declared SRI real estate assets are held mainly by institutional investors, and they favour dedicated management. Two collective investment funds ("OPCI Grand Public") are, however, open to retail investors.

## Property types

Breakdown of declared SRI AuM by property types



Source Novethic

Declared SRI real estate assets are mainly invested in offices (70%) and in real estate with a social dimension such as student housing and residences for the elderly (17%).

# PANEL OF THE 32 RESPONDENTS TO THE 2015 SURVEY

A Plus Finance, Aberdeen Asset Management France, Acofi Gestion, AEW Europe SGP, Allianz Real Estate France, Amundi Immobilier, Averroes Partners, AXA REIM SGP, BNP Paribas REIM, Ciloger, Cleaveland REIM, Corum Asset Management, Euryale Asset Management, Foncières et Territoires, Icade Asset Management, Immovalor Gestion, ImoCompagnons, La Française GREIM, Lafayette Gestion, LB-P AM, Mercatena Gestion, NAMI AEW Europe, Foncière des Régions SGP, Paref Gestion, Perial Asset Management, Primonial REIM, Sofidy, Swiss Life REIM, Union Investment Real Estate France, Urban Premium as well as two asset managers who wished to keep their name confidential.



Novethic is a leading research centre on responsible investment.

Founded in 2001, it produces thematic studies and awards an SRI Label.

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