

CHARLOTTE CREW: ESG AS A TOOL FOR RISK MITIGATION AND ASSET VALUE

2023

AGENDA

ESG Overview

- What is ESG and its drivers

Defining and Approaching Climate Risk

- TCFD, physical and transition risk
- How organization assess and mitigate risks

Inflation Reduction Act & Incentives

- Improve your ROI

Green = \$\$ Green

- Demonstrate the business case

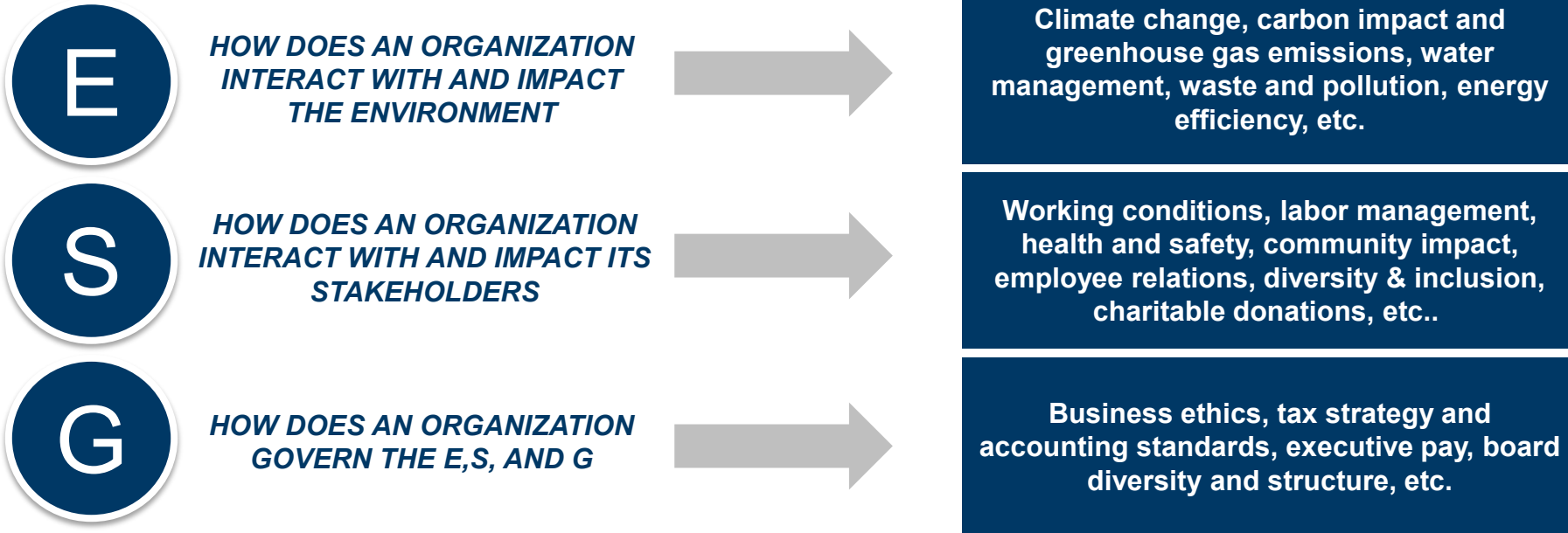
Objective

Understand ESG key terms, regulations and how to mitigate risks and improve asset value

ESG INTRODUCTION

What is ESG?

- Environmental, Social and Governance (ESG) is how we **measure the sustainability and ethical impact of a business.**

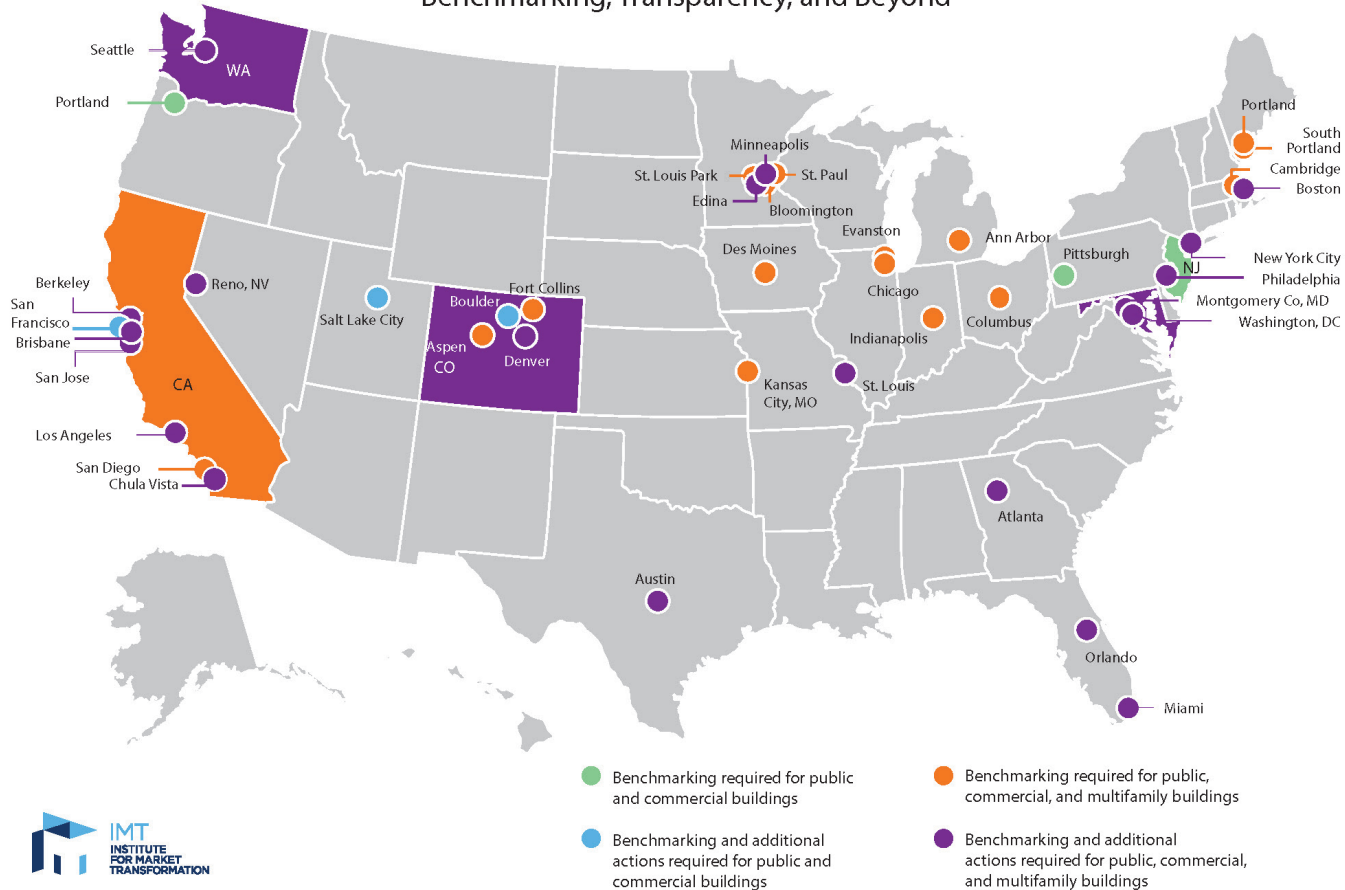


According to the Harvard Business Review, "...90% of 200 studies analyzed conclude that good ESG standards lower the cost of capital; 88% show that good ESG practices result in better operational performance; and 80% show that stock price performance is positively correlated with good sustainability practices."

ESG INTRODUCTION

Why is ESG important?

U.S. City, County, and State Policies for Existing Buildings:
Benchmarking, Transparency, and Beyond



- Regulatory Demands
- Investor Pressure
- Risk Mitigation
- Appeals to Occupier Values
- Positive Business Outcomes

“One in five investors say they decided to not invest with a manager because their ESG policies were inadequate.”

LOCAL & STATE REGULATIONS

Pending

National Building Performance Standards Coalition
January 25, 2023



- 40 cities, counties, and states participating in the National BPS Coalition
- Committed to passing a BPS by Earth day 2024
- 30 cities, counties, and states remain to pass performance target requirements

SUSTAINABLE FINANCIAL DISCLOSURE REGULATION (SFDR)

Defines manner at which risks are integrated into decisions and likely impacts

If you seek capital from EU investors than you are subject to SFDR

Classify funds as 1 of the following:

- Article 6 - No ESG characteristics
- Article 8 - promoting 1 or more ESG characteristics
- Article 9 – Sustainability defined as key investment; requires assets to be sustainable at point of investment

Timing:

- First disclosure of Principal Adverse Impact Statements June 30th, 2023, then annual thereafter

Entity-level disclosures		Product-level disclosures	
		<p>Description of the characteristics and objectives, and of the methodologies for the assessment, measurement and monitoring.</p>	<p>Special disclosures</p> <p>For products promoting environmental or social characteristics or having sustainable investment as their objective, explain how, comparison with designated index..</p> <p>In pre-contractual disclosures, on the website, and in periodic reports</p>
<p>Publish information on the policies regarding the taking into account of sustainability risks in investment decisions/advice.</p>	Sustainability risks	<p>Explain how sustainability risks are integrated in investment decisions/advice, and the impact of these risks on the returns of the products. If risks are not integrated, explain why.</p>	
<p>Explain the due diligence policies regarding the PAIS of investment decisions/advice. Where the PAIS are not considered, explain why.</p>	Principal Adverse Impacts on Sustainability (" PAIS ")	<p>Explain whether, and if so how, a product considers PAIS. If PAIS are not considered, explain why.</p>	
<p>Explain how the remuneration policy is consistent with the integration of sustainability risks.</p>	Remuneration		<p>Taxonomy disclosures</p> <p>Explain which environmental characteristic the product promotes or which environmental objective it has. Also explain to what extent the investments underlying the product are in activities that qualify as "environmentally sustainable" under the Taxonomy Regulation.</p> <p>In pre-contractual disclosures</p>
	On the website		On the website & in pre-contractual disclosures

PROPOSED FEDERAL REGULATIONS

Public companies to disclose climate-related risks and greenhouse gas emissions metrics in financial filings

Disclosure to include:

- Physical and transition risks
- Governance and management of risks
- Transition plans and targets
- Percentage of properties at risk
- Internal carbon price if applicable
- Scope 1, 2, and 3 Emissions

Timing

- Next update expected in April 2023 on proposal developments

“It would provide investors with consistent, comparable, and decision-useful information for making their investment decisions, and it would provide consistent and clear reporting obligations for issuers.”

-Gary Gensler, SEC Chair

DEFINING AND APPROACHING CLIMATE RISK

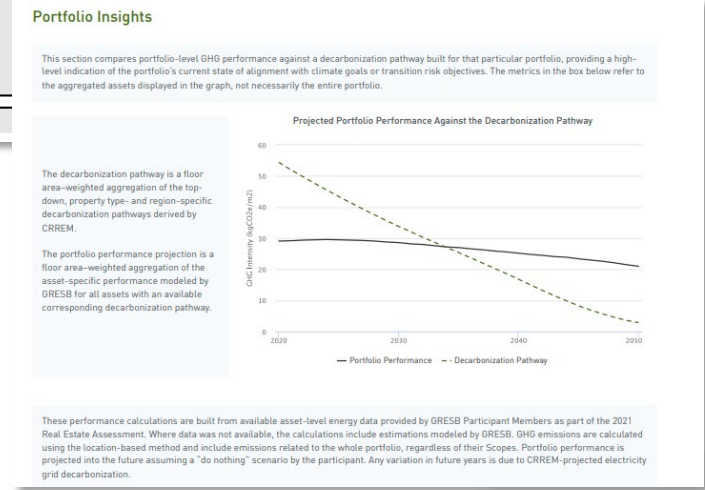
Task Force on Climate-related Financial Disclosures (TCFD) is a voluntary framework of recommendations on climate-related financial disclosures applicable to organizations across sectors.

Physical risk: Risks that arise as the result of increasing natural hazards due to climate change (e.g., extreme weather events)

Transition risk: Risks that arise as the result of the transition to a lower-carbon economy (e.g., policy, technology, market)



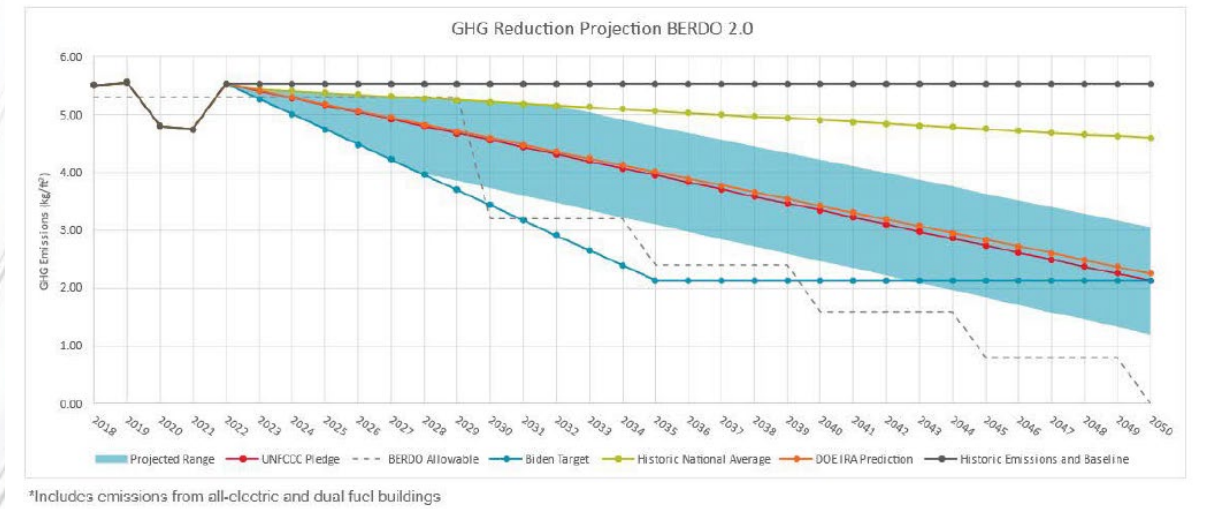
Natural Hazard Summary - past data		
Earthquake	low	
Tsunami	no hazard	
Extratropical Storm	81-120	Kmph
Tornado	extreme	
Tropical Cyclone	142-184	Kmph
Hail	High	
Lightning	10-20	frequency of lightning strikes/m ² /a.
River Flood	minimal flood risk	
Flash Flood	medium-high	
Storm Surge	none	
Wildfire	none	
Soil and Shaking	medium	
Tropical Cyclone		
Tropical Cyclone Current	142-184	km/h
Tropical Cyclone RCP 4.5 2030	76-141	km/h
Tropical Cyclone RCP 4.5 2050	142-184	km/h
Tropical Cyclone RCP 8.5 2030	76-141	km/h
Tropical Cyclone RCP 8.5 2050	185-212	km/h
River Flood		
Flood Defense	n/a	
River Flood Current Undefended	low	
River Flood Current Defended	low	
River Flood RCP 4.5 2030 Undefended	low	
River Flood RCP 4.5 2030 Defended	low	
River Flood RCP 4.5 2050 Undefended	low	
River Flood RCP 4.5 2100 Defended	low	
River Flood RCP 8.5 2030 Undefended	low	
River Flood RCP 8.5 2030 Defended	low	
River Flood RCP 8.5 2050 Undefended	low	
River Flood RCP 8.5 2050 Defended	low	
Sea Level Rise		
Sea Level Rise RCP 2.6 2100	none	
Sea Level Rise RCP 4.5 2100	none	
Sea Level Rise RCP 8.5 2100	none	
Fire Weather		
Fire Weather Stress Index Current	low-medium	
Fire Weather Stress Index RCP 2.6 2030	low-medium	
Fire Weather Stress Index RCP 2.6 2050	low-medium	
Fire Weather Stress Index RCP 4.5 2030	low-medium	
Fire Weather Stress Index RCP 4.5 2050	low-medium	
Fire Weather Stress Index RCP 8.5 2030	low-medium	
Fire Weather Stress Index RCP 8.5 2050	low-medium	
Fire Weather Stress, Fire Season Length Change Mean RCP 2.6 2030	n/a	
Fire Weather Stress, Fire Season Length Change Mean RCP 2.6 2050	low-medium	
Fire Weather Stress, Fire Season Length Change Mean RCP 4.5 2030	low-medium	
Fire Weather Stress, Fire Season Length Change Mean RCP 4.5 2050	n/a	
Fire Weather Stress, Fire Season Length Change Mean RCP 8.5 2030	low-medium	
Fire Weather Stress, Fire Season Length Change Mean RCP 8.5 2050	low-medium	
Fire Weather Stress, Fire Season Length Absolute Current	n/a	
Drought Stress		
Drought Stress Index RCP 2.6 2030	low	
Drought Stress Index RCP 2.6 2050	low	



INFLATION REDUCTION ACT & INCENTIVES

Driving investments in:

- Energy efficiency and decarbonization measures for commercial and multifamily buildings
- Renewable energy generation and other clean energy technologies
- Installation of Electric Vehicle (EV) charging stations
- Financing programs to support access to funds for efficiency measures



[Database for State Incentives for Renewables & Efficiency.](#)

GREEN = \$\$ GREEN

- LEED certified building consistently have higher rents than non-certified assets, **11% since 2015**.
- LEED-certified buildings have noticeably lower cap rates than comparable non-certified office sales implying lower risk and higher value.
- Since Q1 2020 non-LEED occupancy in the US has fallen by 2% while, LEED certified **occupancy has increased by 2%**.
- LEED certified assets held a **21% higher average market sales price** per square foot over non-LEED building over the past 3 years.
- Lastly, LEED inventory is still fairly niche but growing rapidly with LEED certified buildings making up **46% of urban deliveries in the last 10 years**.

[Green is Good Series | United States | Cushman & Wakefield \(cushmanwakefield.com\)](#)



SCAN ME



WRAP UP

- **Regulatory risk is increasing**, driving organizations to act on mitigating climate-related risks and disclose on impacts
- Everything revolves around **having high quality data**
- **Incentives exist** to support investment in decarbonization
- There is a **high demand for assets that incorporate ESG** attributes
- Studies exist to verify prioritizing ESG **increases asset value**



THANK YOU



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CUSHMAN & WAKEFIELD OVERVIEW

OUR ESG APPROACH

Data
Reporting



Advisory



CUSHMAN &
WAKEFIELD

Asset
Optimization



Certification



SUSTAINABILITY has become not only a priority, but a mandate for many companies. As a leading global real estate services provider our strength is our ability to combine a range of disciplines into one seamless, end-to-end delivery solution. With our ESG platform expertise spanning Europe, APAC and the Americas, we bring a holistic perspective to help our clients stay on the leading edge of all thing ESG.

ADVISORY: Work with clients to understand where they are today, and where they aspire to be tomorrow, to develop a roadmap to achieve their real estate focused ESG ambitions.

DATA & REPORTING: Collect and report clients' asset-specific ESG data for internal tracking and external disclosure obligations.

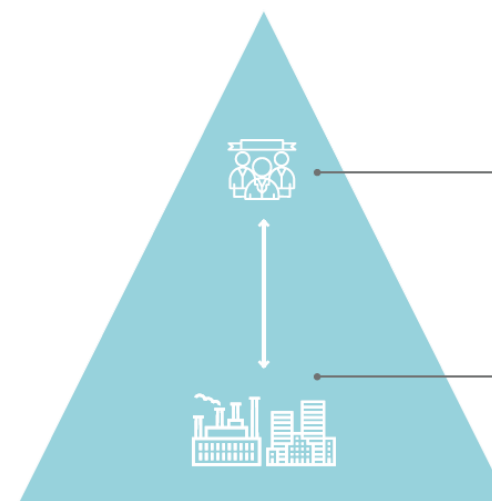
ASSET OPTIMIZATION: Provide portfolio and asset level advice on how to improve buildings to achieve clients' ESG objectives.

CERTIFICATION: Help clients achieve ESG-related building certifications and ratings that align with their ESG strategy, reporting requirements and reputational aspirations.

ADVISORY & REPORTING

Help clients understand where they are today and guide them towards their ESG ambitions. We provide strategic guidance to help clients take their ESG programs to the next level.

- Perform ESG gap analysis and align with industry frameworks such as GRESB and the Taskforce for Climate-Related Financial Disclosures (TCFD).
- Perform data analysis and advise on opportunities to develop and improve data management strategy and establish targets.
- Advise on how to fully integrate ESG into policies and procedures at the organizational, portfolio and asset level.
- Assist with portfolio-wide data collection to enable better reporting internally and externally (e.g., data collection into client platforms like Measurabl).
- Provide guidance on how to best tell a client's ESG story to their stakeholders through annual ESG reports and investor financial reports.
- Develop tenant/resident engagement materials that communicate a client's ESG objectives and encourage best practices



Combining a Top-down and Bottom-up Approach

Framework & Deliverables

Organizational Level Targets

- Carbon emissions projection to 2030
- Advisory on targets and Task Force on Climate-Related Financial Disclosures
- Diversity, equity & inclusion advisory
- Renewable and green energy review and advisory
- Interactive dashboard to understand portfolio footprint

Implementation at the Asset Level

- Building level assessment - property focused opportunities to achieve organizational targets
- Behind the meter renewable energy alternatives scoping
- Energy profiling at the property level

- Prioritized list of focus sites for detailed dive
- List of most viable behind-the-meter renewable energy options

ASSET OPTIMIZATION

Provide portfolio and asset level advice on how to improve buildings to achieve clients' ESG objectives utilizing an extensive knowledge base of building engineers, professional engineers, certified, energy managers, and property managers.

- Review and update ENERGY STAR® Portfolio Manager data
- Benchmark utility data to align with local and state regulations
- Perform energy audits (ASHRAE I / II, Net Zero Roadmap)
- Identify low and no-cost energy conservation measures
- Identify capital improvement opportunities
- Trend asset performance to align with goals and/or regulations
- Identify market opportunities to optimize utility rates



CERTIFICATIONS

Help clients achieve ESG-related building certifications and ratings that align with their ESG strategy, reporting requirements and reputational aspirations. Property managers and owners discover cost-saving opportunities and implement best practices that optimize building operational performance, enhance the occupant experience and mitigate environmental risk

- Conduct feasibility assessment to determine probability of obtaining certification.
- Provide certification project management and consulting services.
- Memberships streamline certification process, provide access to discounted fees, and enhance access to review teams.
- Process recognizes and identifies best practices that can be implemented around energy, water, waste, and occupant health and wellbeing.



450+ LEED Accredited Professionals nationwide



Average ENERGY STAR® score of 73.4 for Cushman & Wakefield managed buildings



LEED Proven Provider
—
Fitwel Champion
—
WELL Keystone Member
—
ENERGY STAR® Partner of the Year since 2013



Certified the First BREEAM In-Use office building in the USA



14% average energy cost reduction after completing an energy assessment



OUR PARTNERS