

# Sustainability Regulations

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# SUSTAINABLE FRAMEWORK

NGOs, Governments, Associations, Market Feedback

## TARGETS

- **COP** - Conference of the Parties
- **SBTi** - Science Based Target Initiative

## GUIDELINES

- **ICMA** - International Capital Markets Association
- **PCAF** - Principles for Carbon Accounting Financials

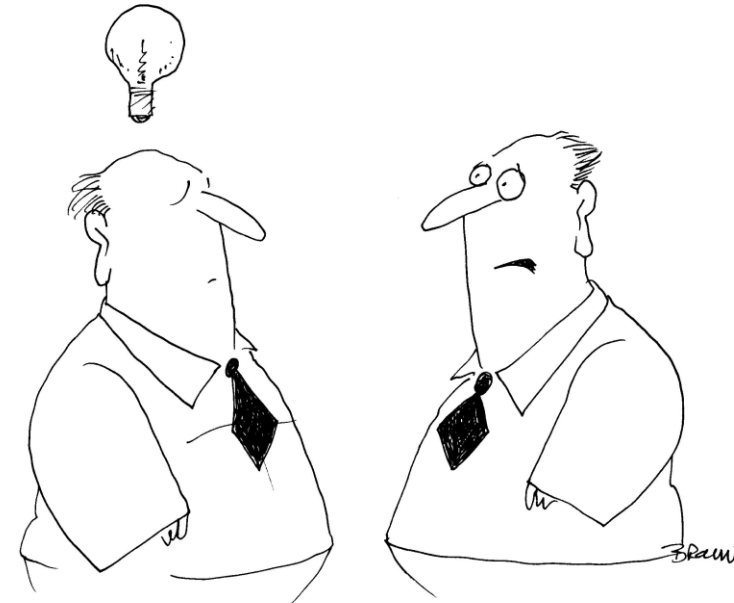
## TECHNICAL REPORTING REQUIREMENTS

- **GHG PROTOCOL** - Scope 1, Scope 2, Scope 3
- **ESRS** - General and Sector Requirements

## FRAMEWORK

- **SPOs** – Second Party Opinions

Great idea! Now, how exactly do we do that?



"According to the corporate ESG guidelines, that better be an LED..."

CartoonStock.com

# COMPLEX REPORTING

Strategy, Business, Risk Management, Metrics, Financial Accounting, Emissions Metrics, Impact Reporting

**CSRD** - Corporate Sustainability Reporting Directive

**SFDR** – Sustainable Finance Disclosure Regulation  
Article 8, Article 9

**IFRS S1 & S2** - International Financial Reporting Standards

## EU TAXONOMY

**EU CSDDD** – Corporate Sustainability Due Diligence Directive

**EU CBAM** – Carbon Boarder Adjustment Mechanism

**GHG PROTOCOL** - Scope 1, Scope 2, Scope 3

**PCAF** - Principles for Carbon Accounting Financials

**ICMA** – International Capital Markets Association

## EU/USA Building Codes

**SEC** – Securities and Exchange Commission

**DOE ENERGY STAR** – Portfolio manager

## EU GREEN BOND

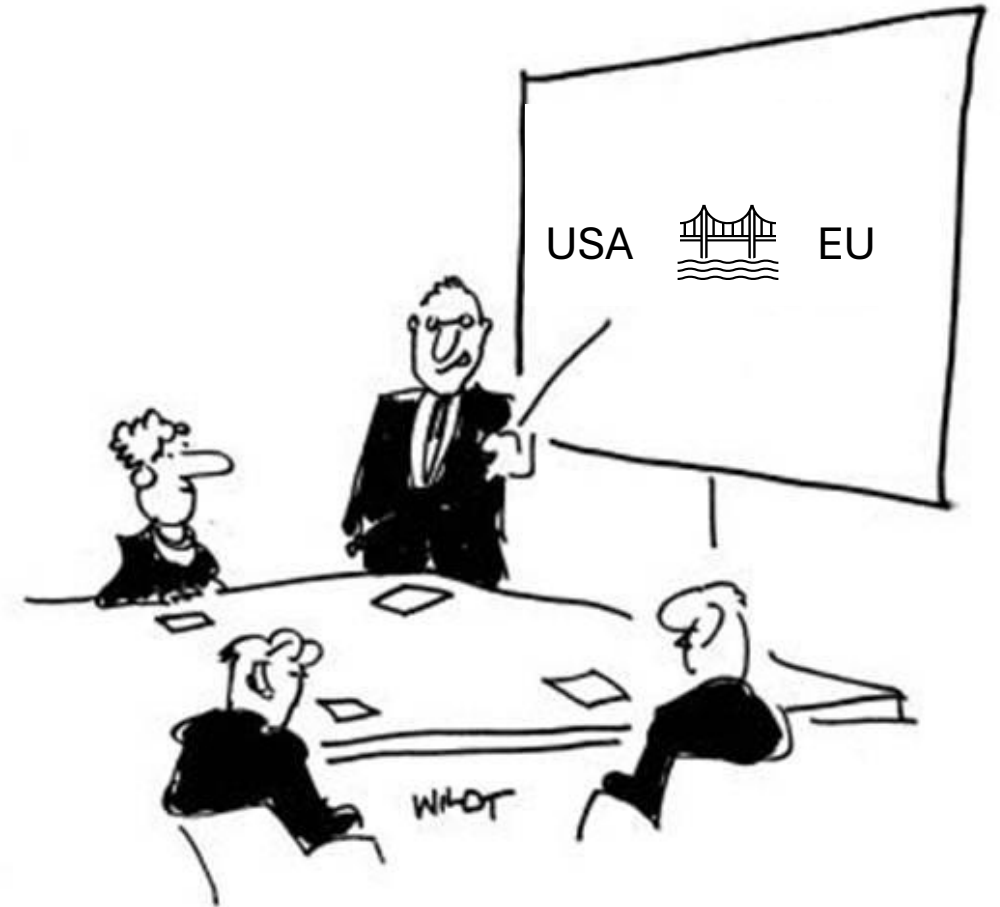


Source: CartoonStock

# SUSTAINABLE REGULATIONS

Prescriptive and Principles-based approach

| EU  | USA  |
|---|--|
| <b>PURPOSE</b> <ul style="list-style-type: none"><li>• Impact</li><li>• Financial statements</li></ul>                                | <b>PURPOSE</b> <ul style="list-style-type: none"><li>• Financial statements</li></ul>  |
| <b>STAKEHOLDERS</b> <ul style="list-style-type: none"><li>• EU / EC</li><li>• EFRAG</li><li>• Nations</li></ul>                       | <b>STAKEHOLDERS</b> <ul style="list-style-type: none"><li>• Federal tax incentives</li><li>• State regulations</li><li>• Municipal codes</li></ul> |
| <b>REGULATIONS</b> <ul style="list-style-type: none"><li>• Mandatory</li><li>• Detailed</li><li>• Templates</li><li>• Scope</li></ul> | <b>REGULATIONS</b> <ul style="list-style-type: none"><li>• Financial statements</li><li>• Scope</li></ul>  |
| <b>PRESCRIPTIVE</b>   | <b>PRINCIPLES</b>  |



"Sure, we can spend all day nitpicking specifics but aren't sweeping generalities so much more satisfying?"

Source: CartoonStock



Source: Policy Exchange, CartoonStock

“This is rubbish.  
What else have you  
got?”

# MAJOR SUSTAINABILITY REPORTING INITIATIVES ON PAUSE

Market Pushback and Complexity Weigh on Movement

## What Really Matters

- Materiality
- Impact on Financial Statements
- Location, location and resiliency

## Diagnostics

- Transparency
- Consistency
- Repeatable
- Comparable
- Data Quality

## Goals

- Simplicity
- Inter-operability
- Proportionality

Executive Orders

EU Omnibus Package



# DATA IS GOOD FOR REAL ESTATE

(Even if it could be better)

## GREENHOUSE GAS EMISSIONS

### Scope 1

Direct emissions from fuels burned on-site



### Scope 2

Indirect emissions from the consumption of purchased electricity, heat, or steam generated off-site.



### Scope 3

Indirect emissions resulting from the construction of a building or the creation and shipping of the materials used



## REAL ESTATE

### Data Availability and Quality

- Asset level data
- Actual data and estimates
- Third-party verification
- Leased space
- Green leases

### Data Preferences

- Measurable
- Transparent
- Repeatable
- Standardized
- Verifiable



So that's agreed, as part of our new environmental policy we'll be recycling our past targets.

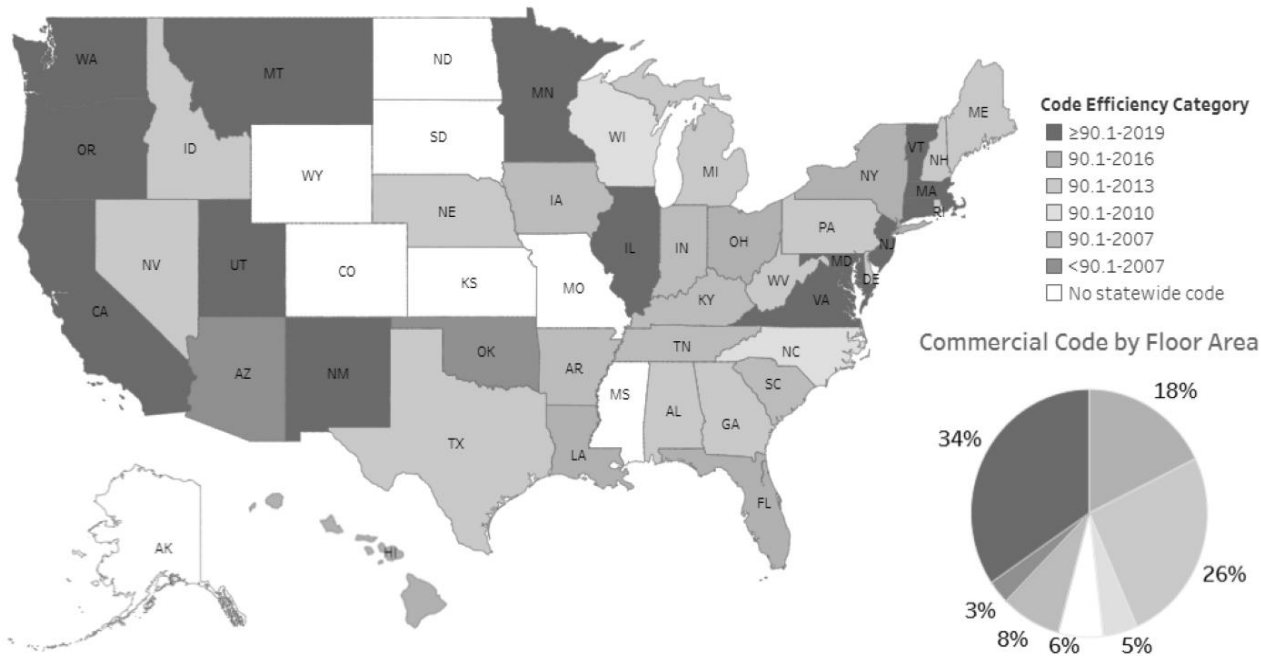
Source: CartoonStock

# FRAGMENTED CODES AND STANDARDS

Real Estate is a local business

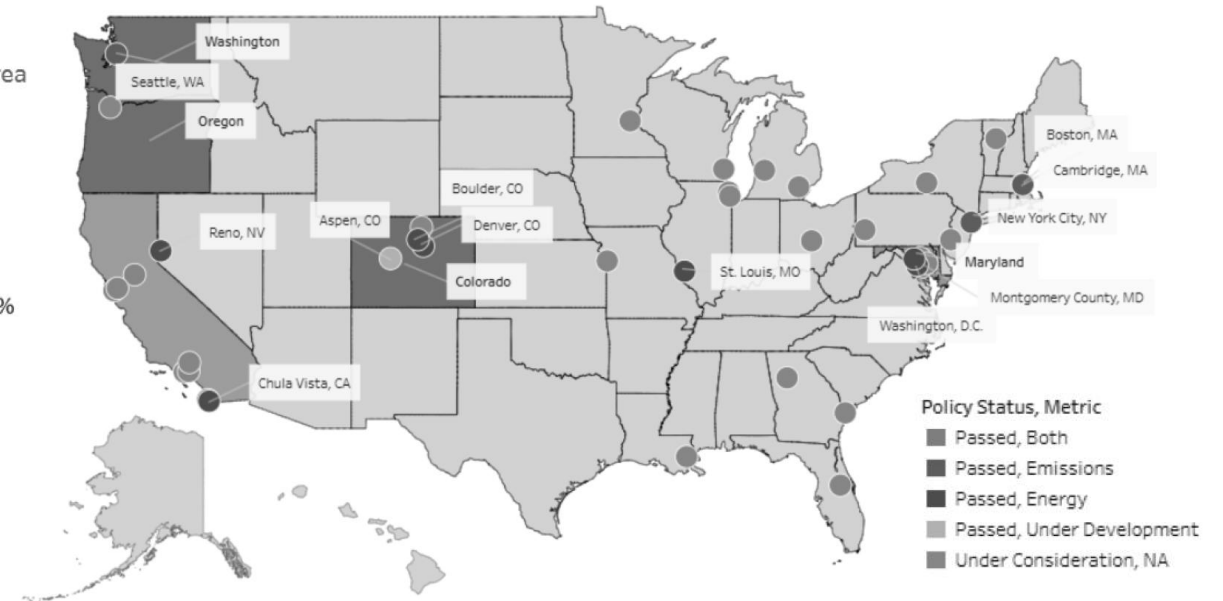
## State Commercial Energy Code Efficiency

Vs. ASHRAE 90.1



## Building Performance Standards

State and Local



Source: Building Energy Codes Program, accessed March 2025



# MY BUYER'S BUYER CARES ABOUT SUSTAINABILITY

Commercial Real Estate: Long-Term Physical Risk is Priced In

## Nature of CRE

- Immovable
- Capital intensive
- Long term asset

## Risk is priced in

- Third Party Risk Reports
- Insurance policies
- (Physical risks)

## Future

- Climate risks
- Resiliency
- Regulations
- Access to insurance
- Energy security
- Market obsolescence
- (Transition risks)

## Opportunities

- Future proof
- Value add
- Resiliency
- Differentiated
- Access to capital

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"I don't fully understand it either, but I agree it's worrying."

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