



Navigating sustainable real estate

The ongoing ESG transformation

mazars



Contents

06	Adopting ESG framework
18	Regulations
24	Tools
27	Conclusion

We extend our warmest thanks to the stakeholders interviewed for the purpose of this report:

In alphabetical order

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Primonial REIM Care: **Elsa Couteaud**, CSR and Product Range Director

Siemens: **Eric Ledeuil**, Real Estate Director for France, Belgium and Luxembourg, and **Salma Habi**, Quality Manager and EHS Officer

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Unibail-Rodamco-Westfield: **Clément Jeannin**, Group Director of Sustainable Development

Introduction

The real estate sector faces increasing demands to significantly change its modus operandi and decarbonise. [Nearly 40% of all carbon dioxide emissions are created by the industry, of which approximately 70% of the gases are produced by building operations, and the remaining 30% are derived from construction work.](#)

It has become a priority to drive the sector towards a more positive transformation, which strives to better respond to ESG criteria. Faced with such lofty ambitions, pessimism is sometimes commonplace, particularly among certain players who find it difficult to reconcile their undeniable business expertise with ESG, a distinct and challenging area. Such pessimism conveys negative information that tends to overshadow the many positive initiatives that are emerging from other players.

To explore the existing ways of achieving a positive change, our approach is pragmatic and aims to moderate the debate. We therefore decided to meet professionals in the real estate sector who are involved in these projects daily, and who are striving to develop initiatives that yield a positive impact.

Our study 'Navigating sustainable real estate: The ongoing ESG transformation' is based on 15 interviews conducted over the last few months. The contributors come from a wide range of backgrounds, representing the diversity of the real estate world: investment funds, real estate companies, developers, facility and asset managers, as well as the real estate departments of large-scale users. During our discussions, we were able to openly explore both the drivers of success, in terms of design, construction, and operation, and the obstacles encountered. It proved to be a unique opportunity to gain some perspective on the implementation of their ESG strategy.

We would like to extend our warmest thanks to all our contributors for their warmth and insights. This study shines a light on the transformative work they conduct and their determination to change our industry from within.

In addition to our dedicated consultancy work within the real estate sector, we are constantly striving to leverage our contacts in the field to share technical insights and opinions. Our dedicated consultants work hard to make a positive contribution to our sector.

With our latest round of studies focussing on industry-specific ESG issues, our goal is to create cohesion and spark inspiration for shared progress, ensuring that every voice is heard. This report, as well as those that will ensue it, will be enriched by many interviews, featuring cross-views, best-practice benchmarks, and technical insights on the latest regulatory changes.

Enjoy!



Claire Gueydan-O'Quin,
Global Head of Real Estate, Mazars

1. [UN environment programme finance initiative.](#)

Editor's note

Loïs Moulas, Managing Director of the OID

This study, which focuses on the transition from a CSR vision to an operational ESG strategy, comes at a time of great market uncertainty. The severe worsening of the European geopolitical context in the wake of the Covid crisis is putting pressure on the entire real estate value chain. To underscore the significance of ESG strategies, we have made efforts to minimise the influence of external factors wherever possible. Celebrating the power of collective intellect, this study aims to share strategic and operational views on ESG strategies implemented in the world of business. This study also stresses the importance of the work carried out by various industry groups, both in terms of understanding the regulations and managing challenges encountered on a daily basis.

Given the diversity and technical nature of ESG issues, openness and constructive dialogue are crucial for realising enhancements necessary within the current environmental and social context.

This study targets all professionals in the real estate sector, including senior managers who are responsible for driving the process and ensuring a sustainable approach to this key area which is constantly evolving.

This evolution spans various aspects, prominently marked by the growing financialisation of the role, which suggests the cultivation of new competencies and a heightened engagement from finance departments.



Adopting ESG framework

ESG pre-structuring context

ESG actions within real estate and construction businesses, or their end-users, are now priorities that can no longer be ignored. Strongly encouraged by regulations, albeit not forced, organisations are now considering ESG as a central role in their strategic decision-making.

ESG initiatives are either being taken by existing departments, such as Human Resources Departments (HRDs), or by newly created independent, cross-functional teams. During our interviews, the second format emerged as the most frequent, reflecting the shift in priorities undertaken by players in the real estate and construction sectors.

These organisational changes illustrate the efforts being made by the industry to embrace ESG issues. This interest is not new, given the environmental, social, and societal ambitions already expressed by some players in the past. The strategy of those who pioneered these issues is now turning out to be a success. Indeed, combining business growth and ESG commitments over a long period has enabled some players to become driving forces or even leaders, in the discussion and structuring of this new approach. At **Unibail-Rodamco-Westfield**, for example, the ESG policy was formalised in 2007 along with its initial targets. In 2016, following the launch of 'Better Places 2030' the policy evolved into a genuine transformation programme, intending to significantly reduce the carbon footprint across the entire value chain of the Group. For the past five years, **Unibail-Rodamco-Westfield** has relentlessly pursued the decarbonisation of its business through concrete actions and by structuring its CSR department. Although the environment is a fundamental part of the 'Better Places 2030' programme, social and societal development also play an essential role.

The experience they have gained enables them to be more comfortable with the ever-increasing number of regulatory requirements, which have been implemented at a much faster pace in recent years. It therefore seems wise for the sector as a whole to follow these pioneers in the effective implementation of ESG initiatives. Indeed, the sector is currently undergoing a process of greater sharing and transparency, driven by groups and neutral bodies seeking to serve the common good.

“The real estate sector needs to adapt to changes in society.”

Elsa Couteaud, CSR and Product Range Director at Primonial REIM Care

Establishing effective internal governance has become an essential element in structuring an approach to ESG. It involves different stages:

- taking stock of the situation, with a review of the strengths, weaknesses, and opportunities associated with the implementation of the approach;
- soliciting both internal and external stakeholders, and their interest in implementing an ESG approach;
- integrating dedicated ESG teams, whether they be centralised or decentralised, within organisations;
- adapting business strategies to ESG pillars;
- defining the key bodies responsible for integrating ESG into the decision-making process;
- raising awareness, providing communication and training at both sector and enterprise levels.

These components of internal governance are discussed below.

“ESG is a matter of conviction, patience, and small victories.”

Virginie Wallut, Research and Real estate SRI Director at La Française

Adopting ESG framework

Deployment of ESG actions and experts' opinions

Experts' opinions have of course been fuelled by the climate emergency, which has in turn been fuelled by the media and politicised in various ways. Even though our society is more or less aware of the new challenges that will need to be faced, current business models must be completely rethought in terms of strategy.

The implementation of ESG policies by real estate companies lies firstly in their shared commitment and awareness of the climatic, societal, and social challenges, and secondly, in the resulting sectoral responsibilities.

Having objectives that are both ambitious and motivating has enabled some players such as **PERIAL Asset Management** to stand out for their commitment. The asset management company is aiming to offer a range of Real Estate Investment Trust (SCPI, Société Civile de Placement Immobilier)/Non-trading real estate company (SCI, Société Civile Immobilière) funds with a 100% SRI label by the end of 2023. Each fund will have a dedicated extra-financial topic, with a systematic focus on responsible investment. This basic model will be replicated across other funds.

Another example – The ESG policy of **La Française** targets investments in two main areas:

- the decarbonisation of resources, shifting from the use of non-renewable resources to renewable resources throughout the value chain;
- the reduction of energy consumption, by raising users' awareness and offering them better equipment to achieve major consumption reduction targets.

The professionals interviewed have strong opinions on the need to increasingly promote ESG changes within their organisations. These values enable them to stay on the right course, given the sheer focus on financial performance that can be so contradictory.

The ESG agenda has been growing for several years now, and the trend is becoming more and more resistant to inertia. Nonetheless, experts point out that there is still a considerable amount of resistance. This considerable inertia can be constructive when it is confined to operational solutions for implementing the approach, but less so when it comes to the merits of ESG itself.



Adopting ESG framework

The specific activities of some players, such as **Primonial REIM Care**'s, raise the question of the type of strategy and governance that need to be put in place in order to avoid compromising the service offering. In this case, how can the real estate sector adapt to both medical practices and societal development? At first sight, ESG may seem complicated to apply to the healthcare sector, given the nature of its properties and human constraints. In winter, for example, it is harder to turn down the heating in a nursing home than in an office. The scope for action needs to be different when it comes to healthcare real estate and, more broadly, service real estate. Not to mention the relentless search for innovation on the part of ESG experts, who are now able to provide solutions tailored to each sector of activity. Construction processes are progressively decarbonised, and energy efficiency allows for facilitating operations, while particular emphasis is placed on the social aspect as soon as services are brought on board.

Specialised in both real estate and natural assets management, with expertise in forestry management, **FIDUCIAL Gérance** has adopted a different approach. The asset management company uses its expertise in forestry management to raise awareness among employees regarding the importance of biodiversity in preserving resources and natural areas.

“Although time-consuming, it is essential to implement an ESG policy.”

Thierry Gaiffe, Managing Director at FIDUCIAL Gérance

According to the Observatoire de l'Immobilier Durable (OID), internal governance refers to “*the appropriation of ESG issues by the investment and real estate management teams. This particularly involves training in sustainable development, setting up, organising, and developing the skills of dedicated teams, and communicating with managers and other teams*”. We observe that the generic definition of ESG governance within companies in this sector is based on strong organisational foundations, dedicated resources, and general enthusiasm for the associated projects, as well as on a good level of in-house knowledge that is necessarily linked to the values and core missions of the enterprises.

“Our policy is based on three major objectives: to be an environmental role model, to act as a responsible entrepreneur, and to win the support of our employees.”

Elodie Le Breton, Sustainable Strategy Director at GA Smart Building

Businesses that can adopt the status of a 'mission driven enterprise' often show a greater commitment to deploying ESG actions. This status was introduced by the Pacte law of May 2019, which allows an organisation to declare its core mission. **Perl**, an established presence in bare ownership real estate investment, has thus become the first mission-driven company working on access to housing. Adopting the new status means, among other things, defining indicators and targets for social housing provision, issuing dedicated reports, and creating a specific governance structure. While this new identity enhances the approach and actions of the business, it is nonetheless a commitment on the part of the business and implies a long process of implementation and compliance with the corresponding obligations, which should not be underestimated.

Adopting ESG framework

Integrating ESG actions at the very heart of business strategies

Real estate businesses are gradually integrating sustainability and inclusion into their strategies and are consequently placing these concepts at the heart of their organisations' governance.

Setting up action plans regarding the integration of ESG issues into the different business lines is becoming increasingly common. For example, at **Unibail-Rodamco-Westfield**, as part of their regional value creation strategy, shopping centre managers have been equipped with Group-wide tools to draw up action plans that are perfectly suited to their region. These annual action plans focus on three areas: developing local economies, working with local stakeholders, and promoting responsible consumption. In the Czech Republic, for example, the real estate company has created a podcast with influencers to promote the socially responsible content of local retailers. In Austria, the company helps local entrepreneurs develop their businesses by providing them with a dedicated space that is visible to visitors.

For a developer-builder such as **GA Smart Building**, the priority is at the very heart of their business – the construction sites. For the company, construction site safety is one of the key challenges, aiming to reduce the ratio between the number of work accidents and the number of hours of risk exposure.

At **Perl**, an environmental and societal scoring system has been developed via a dedicated platform, which immediately highlights the importance of high-quality data collection. This scoring is carried out on all the assets in the portfolio and is then used to make investment decisions that take ESG performance into account.

However, the organisations with which we have been able to exchange views have often encountered one notable difficulty in implementing a tangible ESG policy: the necessary trade-off between these actions, with significant human and financial costs, and the financial objectives of the business. The choice of a model based on financial stagnation, or even financial decline, in a real estate market driven by capital-intensive factors, may seem daring and highly questionable in the eyes of shareholders. But it is commendable from an ESG point of view, given the stakes involved and the urgency of the situation. Can ESG and economic growth coexist? Given the complexity of the subject, this question cannot be answered in a simple or generalised



Adopting ESG framework

way. However, the gradual transformation of business models is becoming an increasingly important way of reconciling these two factors. To be effective, solutions require careful thinking. Every parameter that could hinder either of these two key components for the organisation must be studied by the ESG experts so that their actions are not counterproductive to the work of the operational teams.

How can we increase the number of people visiting a certain shopping centre while reducing the carbon footprint of the site? How can we optimise the use of an office space while reducing its energy consumption? Is it possible to prioritise societal or social commitments without compromising environmental initiatives? These seemingly contradictory issues can be addressed by applying measures based on the sector's own experience, but also on the skills and opinions of experts dedicated to the subject of sustainability. For experts, in addition to the regulatory and sectoral aspects, ESG is also a matter of sensitivity.

One of the foremost challenges is to align buildings with the impacts of climate change. Organisations such as the **OID** (Observatoire de l'Immobilier Durable / Sustainable Building Monitor) are becoming reference points for the sector, thanks to the provision of comprehensive benchmarks on an international scale, analysis of new standards and regulations, and also the development of dedicated tools such as R4RE – a climate risk analysis map for localised buildings. The expertise, values of mutual support and sharing, and neutrality of organisations like the **OID** make them key players in the ESG field for our industry.

The commitment of the businesses surveyed is firmly rooted within their organisations. The vast subject of sustainable real estate is increasingly a reality for top management, particularly over the last decade. Sustainable real estate is emerging as a driver for business action and investment. In addition to the regulatory obligations incumbent on stakeholders, there is currently a collective belief in the imperative to act, and the involvement of industry decision-makers tends to be moving in an extremely positive direction.

NB: Tools and partners for collecting data within buildings are listed in the **Tools** section of this study.

“We need CSR strategy to be at the heart of top management discussions if we want these new issues to move forward as effectively as possible.”

Elodie Le Breton, Sustainable Strategy Director at GA Smart Building

CSR therefore needs to be addressed at the highest strategic and decision-making levels. It is vital to obtain the support and backing of the decision-making bodies of the real estate industry to be able to implement ESG projects as effectively as possible and boost the transformation that ensues. For example, the sustainable and responsible strategy of developer-builder **GA Smart Building** is at the heart of the Strategic Plan, validated by the Management Committee, and shared with all the teams. The Sustainable Strategy Director is a member of the Executive Committee and reports directly to the Chairman. This sends out a strong message of commitment to all the stakeholders in the company. The commitment of the top management is also critical to the definition of a sustainable ESG vision.

As part of its 2018 study on 'Governance of CSR within businesses', the CSR strategy and change management consultancy **Des Enjeux et Des Hommes** asked the following question in a survey: 'What mainly motivates your organisation's management bodies to support the CSR/SD policy?'

“Organisations are evolving at an impressive speed, which is a big help to CSR teams.”

Elsa Couteaud, CSR and Product Range Director at Primonial REIM Care

“The approach must be global, as all the indicators are interlinked, and any action will have an impact on the other indicators.”

Eric Ledeuil, Real Estate Director for France, Belgium and Luxembourg at Siemens

“We aim to take advantage of private investment to develop the supply of affordable housing in areas requiring it.”

Cyril Pruleau, Director of Real estate Services and Operations at Perl

Adopting ESG framework

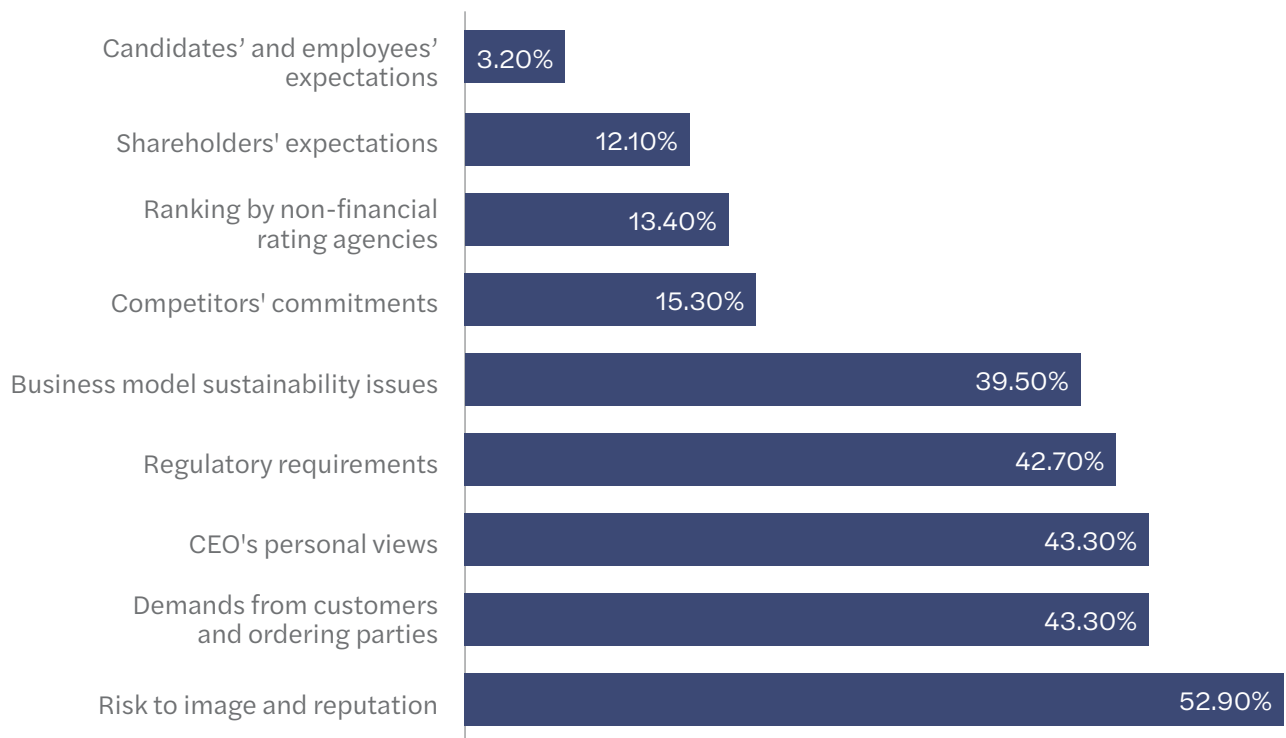
The findings indicate that benchmarking against competitors serves as a significant motivator and positively influences governance. The leading motivation for improving a company's reputation is to have an excellent brand image in sustainable real estate.

In second place, the expectations of customers and ordering parties ultimately carry the same weight

as the CEO's personal views, and it is encouraging to see that they can directly influence the strategic choices made by a business.

Two individuals we interviewed, occupying prominent positions within their organisations, revealed that their personal convictions were the primary catalyst for implementing ESG initiatives within their respective companies.

What is the main motivation for the senior management of your organisation to support a CSR/SD policy?



According to the study 'Governance of CSR within businesses' by Des Enjeux et Des Hommes, July 2018

Adopting ESG framework

Notably, regulatory requirements ranked fourth among the motivations cited by management bodies to endorse ESG policy, adding an intriguing perspective. This result once again proves that individual convictions, the importance of brand image, and customer expectations are the main reasons why organisations make the switch to CSR, rather than legal requirements.

“ESG has been with us for a long time because it is seen as a means of differentiation as well as a core belief.”

Jean-François Chaury, Managing Director and Head of Real Estate SRI at Advenis REIM

Raising awareness/training

Establishing a consistent application of an unvarying ESG policy underscores the crucial need for the inclusive participation of all employees. Beyond measurable goals, the management of ESG projects significantly shapes the corporate culture. It turns out that the greater the commitment, the less likely the company’s actions are to fall by the wayside during their implementation.

“ESG must be included at all levels of validation and production.”

Romuald Mahut, Deputy Director of Fund Management at Ofi Invest Real Estate



Adopting ESG framework

Within an asset management firm, proficiency in ESG regulations is imperative for technical teams, asset managers, and real estate managers alike, requiring uniform understanding and application across these roles. The life and type of the assets under management are controlled first and foremost by the operational teams. Their involvement is therefore essential, both at the data collection stage and during the implementation of strategic decisions.

Thus, for our partners, the notion of teamwork is essential, as they believe that the future of their missions depends on the participation of as many people as possible. This objective can be pursued through two tiers of action:

- at the internal corporate level – the more widespread the commitment within the organisation itself, the more decisions are democratised and, in the long term, followed by action. The process is easier and more effective when responsibility is passed down from a centralised ESG team to all the business lines in the organisation. Of course, this approach goes hand in hand with effective internal communication, which is crucial to the visibility of the achievements of the Group as a whole;
- at a sectoral level – although European regulations are one of the main reasons for the sectoral changes observed, taking an interest in sustainability issues at a sectoral level opens up exchanges. It also initiates joint reflection on opportunities and possibilities, and conversely, highlights the difficulties encountered by common organisations. Comparative work then becomes a major asset since it benefits everyone. As a result, regulations simply act as a driving force to push the approach taken by professionals as far as possible.

To get all employees involved in ESG projects, training needs to be provided on a collective basis. This is usually carried out by dedicated teams, with a variety of training courses, given the fast-changing regulatory environment and the vast range of issues involved. Ultimately, the cross-functional involvement of employees should enable these dedicated teams to support operational staff as they implement the appropriate actions.

“It is essential to build a strong relationship with each and every function within the Group.”

Clément Jeannin, Group Director of Sustainable Development at Unibail-Rodamco-Westfield

To ensure the motivation of employees, some players in the sector are integrating ESG objectives into their work assignments. The remuneration of certain key employees is indexed to ESG objectives.

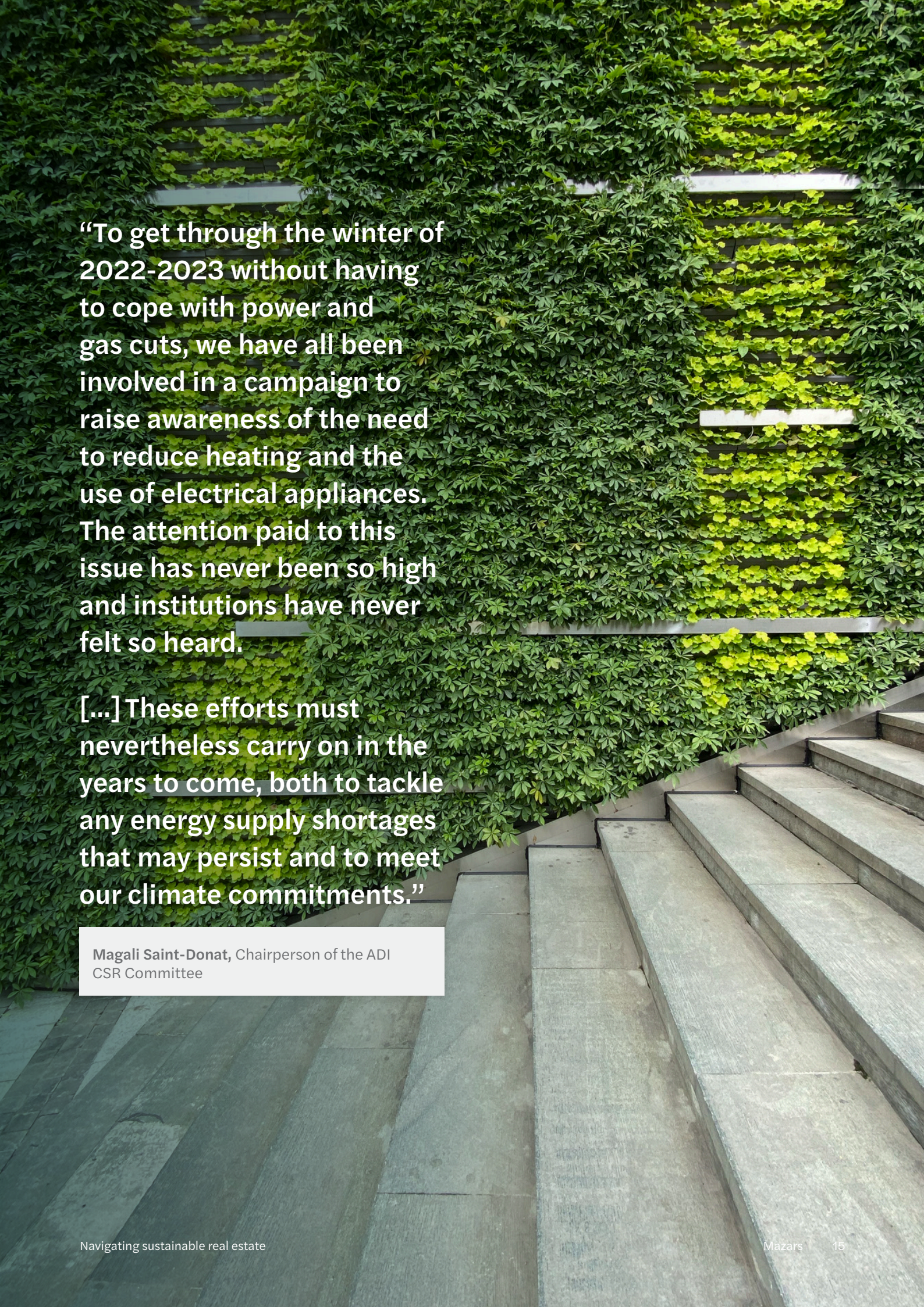
“Our product and the culture of our employees naturally favour the implementation of an ESG approach.”

Cyril Pruleau, Director of Real estate Services and Operations at Perl

However, according to Magali Saint-Donat, President of the CSR Commission of the **Association des Directeurs Immobiliers**, there is still some mistrust when it comes to raising awareness within the sector.

Thanks to everyone’s efforts and ongoing communication on the subject, businesses have not experienced any power cuts this winter.

Last winter set a precedent in terms of the long-term actions that need to be taken. It also demonstrated how raising awareness within businesses on these issues can really pay off.



“To get through the winter of 2022-2023 without having to cope with power and gas cuts, we have all been involved in a campaign to raise awareness of the need to reduce heating and the use of electrical appliances. The attention paid to this issue has never been so high and institutions have never felt so heard.

[...] These efforts must nevertheless carry on in the years to come, both to tackle any energy supply shortages that may persist and to meet our climate commitments.”

Magali Saint-Donat, Chairperson of the ADI
CSR Committee



Adopting ESG framework

Employee resistance to change

ESG-related changes are often met with reluctance, and even resistance. For example, it can be difficult for some employees to divert from a roadmap that was drawn up several years ago to incorporate new sustainability priorities. There may be several reasons for this reluctance:

- lack of interest in environmental, societal, and social issues;
- deficiency in understanding, allowing minimal space for contemplation on the topic;
- diminished awareness among employees (influenced by generational factors, among others, as well as a preference for comfortable and convenient travel);
- anxiety generated by the dramatic way in which these challenges are often handled, leaving employees with little time to think about the future;
- insufficient dedication from employees to the overarching business objectives (absence of corporate cohesion).

Getting employees more involved in the projects of the company is proving to be one of the best ways of instigating strategic changes, such as an ESG policy.

This is one of the strengths of **Siemens**, where corporate spirit is very strong and resistance to change is very low.

“The low level of resistance to change does not prevent employees from reflecting on ESG issues or participating in strategic structuring.”

Salma Habi, Quality Manager and EHS Officer at Siemens

Adopting ESG framework

Reorganisation and cost of transformation

The longevity of a business significantly impacts the range of costs linked to implementing ESG initiatives. As the landscape has evolved substantially in recent years, insights from interviews reveal that the more recent organisations embrace ESG principles, the more cost-effective the transformation becomes. The strategy of **Advenis REIM** in this area is a good illustration of that, using mainly two drivers:

- the Group's strong commitment, at all levels, to facilitate all decision-making processes involving ESG issues. The governance bodies' standpoint considerably helps the staff who are more active in the field to get their company involved in an ESG strategy;
- the youth of the company – established in 2018 – is a key driver of the Group's transformation, making it less of a challenge. The buildings under management are not old, and the profiles recruited as the business grows are adapted to current needs.

Hiring profiles dedicated to the deployment of an environmental and social strategy entails transformation and staffing costs that are often high, but essential. New additions to sustainability teams frequently exhibit dedication and a strong belief in the positive impact of their efforts. Whether in terms of regulatory monitoring, technical construction capabilities, or skills in organising and adapting to the wide range of actions that need to be implemented, there is a huge range of needs to be met.

Depending on the type of organisation, it may be more appropriate to outsource skills, as is the case with **GA Smart Building**, which commissions a law firm to carry out its regulatory monitoring.

This collaboration means that **GA Smart Building** can rely on expert advice on regulatory issues, such as the European Taxonomy while meeting deadlines.

For an asset management company like **FIDUCIAL Gérance**, the decision is to work with a consultancy specialising in applying the methodology and approach to SRI labelling. These expenditures become genuine investments, given the opportunities presented by such labelling, while precious time is saved thanks to the efficiency and knowledge provided by the partner organisation.

As observed, the incorporation of CSR teams poses a substantial long-term cost for real estate entities. Nevertheless, in today's context, it is imperative to address this matter, making it a priority in annual budget considerations.

Businesses often carry out a large number of reorganisations, a trend that has only intensified over the years. **FREO Group**, a real estate and private markets investment manager, has therefore appointed an ESG director for Europe in 2021. Environmental advisers are present in each of the ten European offices. Having a Europe-wide coordinator, combined with country-by-country deployment, enables the Group to undertake a major transformation.

Despite initial hesitance, certain organisations are now grappling with regulations that demand increased transparency and comprehensive reporting of non-financial information. This requires upstream data collection and analysis, and therefore dedicated expertise within organisations.

Regulations

The European regulator - a driving force in the ESG strategies to be adopted

Regulation is the key to progress in our sector. In fact, the European regulator provides the necessary driving force for real estate industry players across all segments to take action, thus contributing to changes in the roadmaps of real estate businesses.

We understand the importance of European regulations for dedicated ESG experts, as the subject has systematically come up in our discussions. Indeed, regulation encourages strategic thinking and adjustments to the objectives of market players, and more broadly of the sector.

“Progress is born of constraint. In Europe, constraint is a matter of regulation.”

Virginie Wallut, Research and Real estate SRI Director at La Française

Taxonomy, RE2020 (2020 French Environmental Regulations), SFDR (Sustainable Finance Disclosure Regulation), Décret Tertiaire (French Tertiary Sector Decree), The Loi Climat Résilience (French Climate and Resilience Law) imposes many regulatory obligations that our sector must carefully monitor and comply with.

“Regulation alone is what moves people.”

Virginie Wallut, Research and Real estate SRI Director at La Française

We are pleased to note that all interviewees welcome the efforts of the European regulator to take CSR seriously. There is a willingness to speed up the enactment of laws and decrees, erasing the legal ambiguity around sustainability and energy consumption in the real estate industry.

Polluters are gradually being classified within the 'polluter-countries' principle, and it is becoming easier to identify them, which in turn enhances the status of the most committed players. Experts also welcome sanctions for non-compliance with regulatory obligations, as this facilitates the adoption of regulations by the most resistant players in the industry.

“Europe has hit hard, forcing players to structure their extra-financial strategy quickly; we all need to find opportunities to innovate by going beyond this framework.”

Anne-Claire Barberi, CSR & Innovation Director at Perial

From mitigation to adaptation to climate change

The challenge for players in the sector is not only to work on mitigating their externalities but also to adapt to climate change itself. The effects of climate change on the construction industry need to be understood, and players need to prioritise their actions to adapt to them while remaining compliant with regulations.

“Beyond the regulatory issues, adapting to climate change can be an anxiety-provoking subject, and employees need to accept the work to be done as a result of this new approach,” says Elsa Couteaud, CSR, and Product Range Director at **Primonial REIM Care**. This is in line with the point made above about employees' awareness and possible rejection of change.



Regulations

Specific features of European regulations

Regulations focused on the environment

Europe has a strong identity when it comes to ESG issues, for two main reasons:

- the first is that Europe is well advanced in its awareness of global climate issues and does not shy away from sharing exhaustive guidelines on these crucial subjects. The many summits, laws, decrees, and pacts are perfect illustrations of this. The European Union's involvement in the ecological transition began in 1986 with the Single European Act, which gave the EU a specific environmental remit;
- the second reason is that historically, the EU has been more focussed on the ESG environmental angle, whereas Asia, for example, is more focussed on the ESG social angle. Most European companies have an innate tendency to mainly associate ESG with the environment.

Standards to be adapted to each activity

European regulations are not designed to be best adapted to each segment of the real estate industry and are instead intended to be general, although the regulator is making a detailed effort to define the conditions for regulation and the acceptability of standards. To adapt to regulatory standards, real estate companies need to move away from an overly operational point of view and look at the bigger picture. Each of the people we spoke to had a variety of objectives specific to their organisation.

A real estate fund, for example, aims to prove to its investors that the projects comply with regulations, and are therefore viable. Investors will be interested in this criterion and how it fits in with their own strategies. Real estate funds therefore have an approach driven by customer (investor) satisfaction, while real estate companies that own shopping centres are more likely to undertake regulatory work relating to the user experience, or any other action associated with the management of retail sites.

Regulations

To enable each stakeholder involved to move forward at their own pace, and in line with their own business, the market should set out pathways for harmonisation, directing the regulator toward prioritised strategies.

“If regulation is essential for structuring the market, we must therefore ensure that it is adapted to each of the sector’s asset classes, to the reality on the ground, and also harmonised at European level.”

Clément Jeannin, Group Director of Sustainable Development at Unibail-Rodamco-Westfield

“Proving that projects comply with regulations reassures investors.”

Benjamin Ly, Asset Management Director at FREO Group

An additional facet of the ongoing necessity for regulatory adaptation involves the range of companies affected by both current and forthcoming standards.

Strategies to be adapted to each region

- on a global scale: as we have seen, Europe is a forerunner in terms of CSR commitments due to its strong legislative involvement. *“Convictions and advances diverge between continents,”* explains Clément Jeannin, Group Director of Sustainable Development at **Unibail-Rodamco-**

Westfield, *“there is a real difference in terms of sustainability regulations between the United States and France, and more broadly the European Union, which has widened over time. We need to position ourselves beyond these regulatory expectations and take account of the expectations of all our stakeholders.”* Taking the time to understand local and global issues is therefore essential to getting the most out of the actions taken.

“The specific characteristics of the real estate industry’s underlying assets need to be better addressed by European regulations in the financial sector.”

Anne-Claire Barberi, CSR & Innovation Director at Perial

- on a European scale: although the European institutions have embarked on a vast programme of regulatory harmonisation between the Member States, legislative and cultural differences remain and businesses operating in several EU countries are required to continuously adapt. *“Historically, ESG commitment and progress have been greater in Germany than in France, as CSR issues have been at the heart of government and corporate concerns for longer than in France,”* explains Jean-François Chaury, Managing Director at **Advenis REIM**. *“It is therefore interesting to copy good practice from Germany to France, and vice versa should we be further ahead.”* These specific cases show the importance of standardising ESG criteria from one country to another, as far as possible, to facilitate the actions developed by all.

Regional differences are viewed in a very positive light by our interviewees who see them – over and above the titanic task of monitoring global regulations – as an opportunity to benefit from the best practices of the most advanced countries.

Regulations

“Implementation deadlines for regulations often vary from one country to another.”

Jean-François Chaury, Managing Director at Advenis REIM

Monitoring is crucial

From our discussions, we understand that regulatory developments have reached a point where continuous legislative monitoring is crucial, regardless of the company’s structure or business line. The interest, conviction, and involvement of the CSR experts we met facilitate this monitoring work, which requires a permanent effort on the part of the organisations. Legislation is finally offering some hope that things are moving towards a neutral impact.

Dissuasive penalties are still insufficient

Penalties for non-compliance with regulatory obligations are still considered to be insufficiently dissuasive. In fact, the lack of severity of the

financial penalties applicable prevents all the businesses targeted from systematically committing to compliance. The people we spoke to made two observations:

- the first was that some players assess the risk incurred in the event of non-compliance and, with full knowledge of the facts, decide in favour of the penalty;
- the second observation was that this behaviour is not encouraging for players who abide by the regulations and do everything they can to adapt their actions and strategies accordingly.

As some people have pointed out, identifying the natural or legal person who is responsible for non-compliance with the regulations can be tricky.

In the case of the Décret Tertiaire (French Tertiary Sector Decree) – which lays down the obligation to improve the energy performance of tertiary sector buildings to achieve a 60% reduction in energy consumption by 2050 – it is easy to imagine that the application of the penalty will be difficult. Who is responsible: the landlord or the tenant?



Regulations

Collecting and processing data from buildings is one of the CSR teams' priorities. This is a vital exercise since the data can be used to produce reliable reports for analysing the consumption habits of the assets held, to improve the sustainability of the buildings and the well-being of their users. Such analysis is also necessary to prove compliance with regulations.

The labelling of office buildings, a point of attraction for potential investors or tenants, is also one of the driving forces behind the intensification of data collection tools for managed assets.

Some players are also taking a proactive approach towards improving the flow of information. **The Société de la Tour Eiffel** is currently participating in a working group on European taxonomy with the **Alliance Immobilière pour la Convergence Numérique (AICN)** (Real estate Alliance for Digital Convergence). The AICN's objective is to identify the most important data to be included in a common reference framework, test its application, and then extend the practice to the entire sector. Indeed, how can you make your key indicators compatible with regulations and collect the data needed to meet them?

One thing is clear to everyone we spoke to: the efficient management of properties requires an effective collection of data, and, for this, the use of relevant tools coupled with a detailed analysis to interpret the results.

For the **Société de la Tour Eiffel**, the management of non-financial data should, as far as possible, be carried out in-house, to avoid losing the vision and knowledge of the assets concerned. For other players, on the contrary, external expertise makes data management more reliable and objective.

“Operational real estate is the asset, not the Excel file. [...] Data is the lifeblood of the business.”

Odile Batsère, CSR & Innovation Director at Société de la Tour Eiffel

It is therefore necessary to apply the regulations, and more broadly to keep up with developments in the real estate industry, to accept that there will be changes in the way data is collected throughout the life of an asset or its management (depending on the activity of the company concerned: management, use, provision, etc.). But we must also accept that certain blind spots will remain, for not everything can be calculated.

Another point to bear in mind: the harmonisation of data collection within the same company. The recent mergers at **Ofi Invest Real Estate** will involve harmonising data collection processes since the regulations are the same for all the activities of the business group. For **PERIAL Asset Management**, the challenge is to centralise the information system so that asset managers can integrate the data accurately and make intelligent use of it. The contribution of each of the stakeholders requires a clear and continuous steering of the organisation.

“Harmonisation is a key issue in data collection.”

Franck Pagès, ESG Manager at Ofi Invest Real Estate

In contrast, **Siemens'** policy of spinning off its activities into subsidiaries gives them greater autonomy. Of course, global standardisation becomes more complex, but the organisations gain flexibility and agility when it comes to data processing.

Regulations

The need for asset tools

To gain a better understanding of the ESG policies adopted by players in the sector, it is important to identify key performance indicators, which serve as the starting point for asset management and transformation. These indicators are derived from the knowledge of the operational teams, who are most familiar with the life of the assets and help to determine the most appropriate collection equipment.

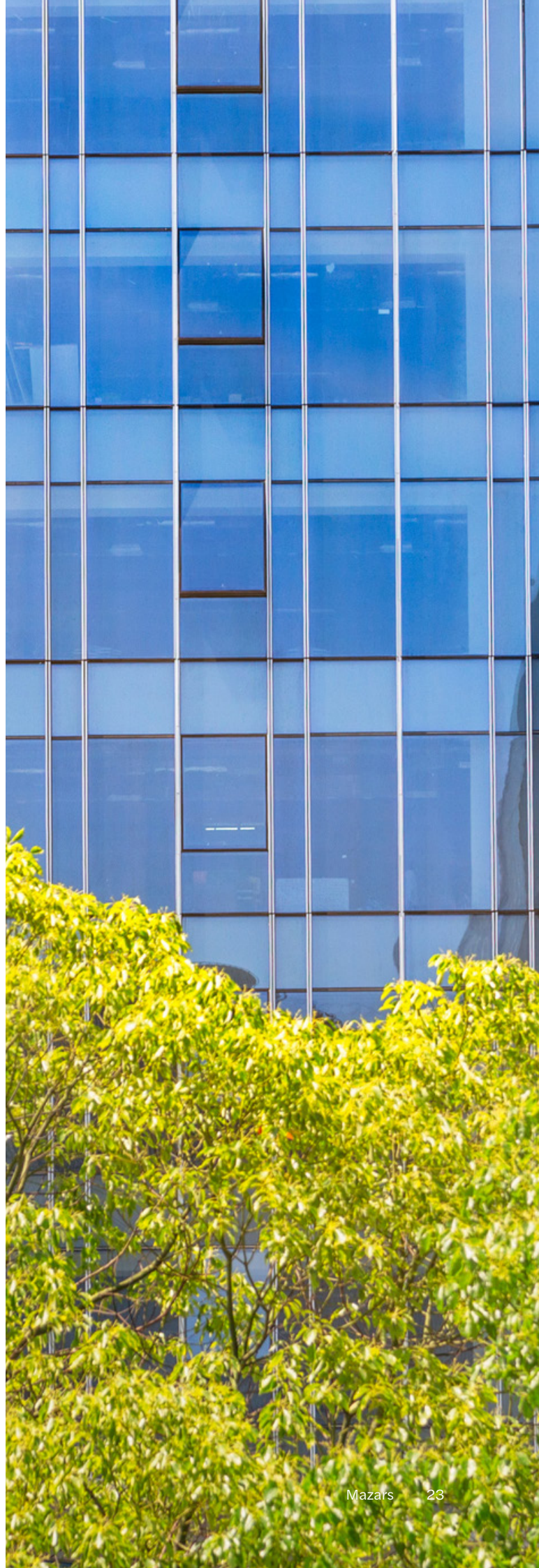
Once again, this step proves the importance of raising awareness of corporate social responsibility among all employees, particularly those within technical and operational teams. Real estate managers, facility managers, and even operators are all roles that our interviewees consider key to the progress of their projects. Whether they are outsourced or brought in-house, it is crucial to integrate these roles into the strategic thinking process, working side-by-side with the CSR experts. However, outsourcing allows the business to benefit from new knowledge and to apply the best practices in the sector.

“The real estate managers we work with find that there are common issues between us and other ordering parties.”

Jean-François Chaury, Managing Director at Advenis REIM

“If data collection is not done well, we cannot move forward.”

Thierry Gaiffe, Managing Director at FIDUCIAL Gérance



Tools

The importance of landlord and tenant collaboration

In the case of leased property assets, establishing an enduring partnership between the lessor and lessee is vital, ensuring the provided information is trustworthy and aligns with the legislative expectations in the long run. Indeed, the tenant of a property is in control of the data reporting, which is essential for the landlord for the reasons set out above.

As an example, within the framework of the Décret Tertiaire (French Tertiary Sector Decree) and the recording of data on **OPERAT** (ADEME's platform for collecting and monitoring energy consumption in the tertiary sector), it is essential to ensure that tenants are committed to completing the reporting. However, it is sometimes difficult to get feedback from tenants on these key issues covered by the Décret Tertiaire. Giving them advance notice is sometimes useful.

To improve the rate of data collection from tenants, **Ofi Invest Real Estate** has put in place numerous initiatives, including drafting 'green leases', distributing welcome booklets, and organising environmental committees. This successful approach facilitates the work of employees in processing data and ensuring compliance with regulations.

All players in the real estate sector are faced with a problem in applying ESG strategies: meeting tenants' satisfaction and expectations while complying with regulations. While data measuring energy consumption can provide evidence of progress toward sustainability, its collection, and analysis can be seen as intrusive to the occupant. In this respect too, all the interviewees stressed that maintaining a constructive and transparent relationship with their tenants is a priority.

FREO Group has launched an initiative called 'Tenant Success', in partnership with one of the leaders in energy management and automation. It consists of drawing up a list of actions and functions offered to tenants for customised use of the building (installation of specific equipment, performance reviews, and user well-being in particular).

This initiative appeals to tenants and creates a relationship of trust, ensuring that they receive customised support.

At **FIDUCIAL Gérance**, the priority is also the relationship with the tenants. Regular exchanges with tenants enable the company to monitor asset life cycles and easily retrieve building data when necessary. To ensure that the link with tenants is maintained, **FIDUCIAL Gérance** has expanded its team of real estate managers over the years. They are on the front line, in direct contact with tenants.

Asset tools strategy

From our interviews, we note that the expertise of our contacts leads us to question the relevance of the installations used to monitor building performance. We were able to highlight one notable observation that qualifies the race for data in the real estate sector. ESG is a global approach, and the insight of people with experience in these issues helps to rationalise installations and the use of service providers to analyse building data. The overconsumption of digital technology on a global scale is also observed in our sector and is also problematic from an environmental point of view.

As Magali Saint-Donat, President of the CSR Commission of the **Association des Directeurs Immobiliers** explains: *"Building installations and reporting tools are relevant, but we do not necessarily need to add to them and should take care not to consume unnecessary energy to feedback the data collected"*. This observation, while seemingly obvious, leads us nevertheless to conclude that the commitment of sector experts to sustainability does not stop at the door of regulatory obligations.

When it comes to reporting, monthly data feeds should be the rule, and continuous data feeds should be the exception. In principle, monthly reporting is more than sufficient, depending on the usefulness of the data for a company's real estate business, whereas real-time reporting should only be used when necessary. Trying to transform an asset into a genuine smart building can be counterproductive.

Tools

It is therefore essential to be familiar with tools that do not require specific installation. For example, the operators of electricity distribution networks provide their customers with a flow of information, including five years of historical data, enabling them to produce reports on the amount of energy consumed. Energy load curves are also excellent resources. They can be used to read the data for a building, showing the amount of energy and power consumed, and are available to everyone.

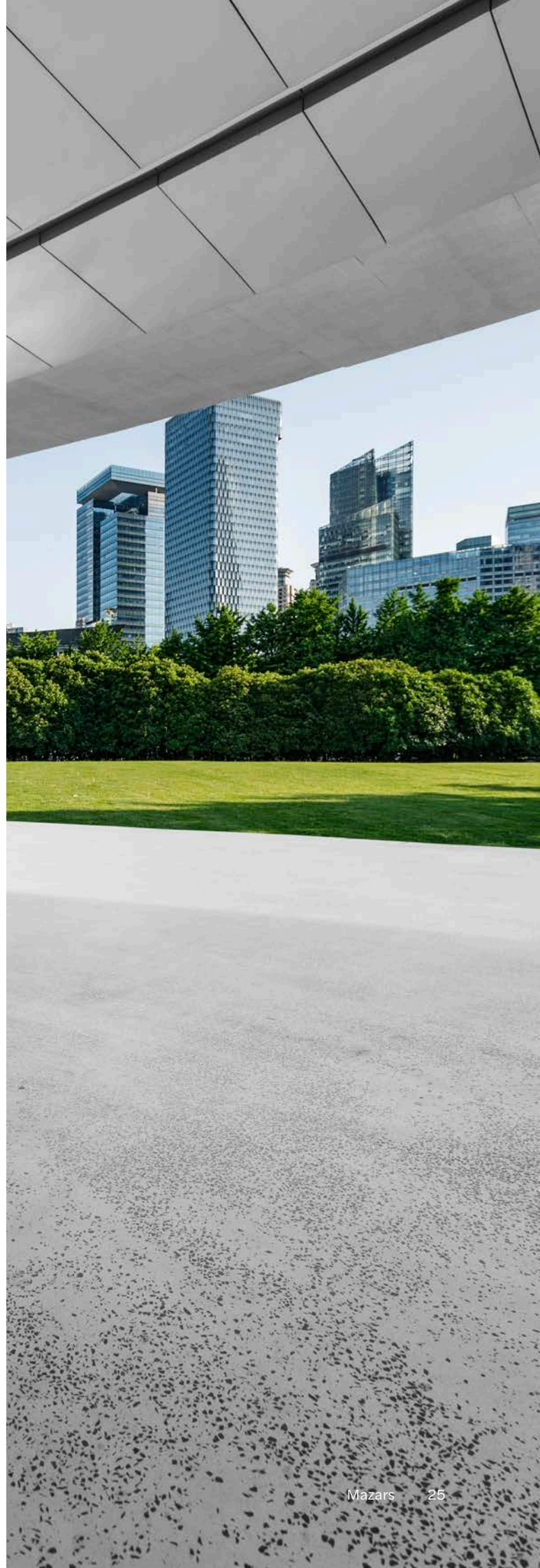
CSR is not yet a fully developed business in the real estate sector, which is why it is important to use all the solutions available to initiate the analyses described above. Every available element that can help to take ESG criteria more fully into account should be incorporated into the relevant action plan.

Another aspect is to consider the use of tools before committing to a service provider. Gathering information from internal business teams helps to maintain discussions on these subjects and therefore has an impact on employee awareness. At **GA Smart Building**, knowledge-sharing meetings involving the teams who are the most familiar with the assets under construction are particularly appreciated by the Sustainable Strategy team, who plan to continue them once the dedicated ERP has been deployed.

For its part, **Siemens** has also introduced a high level of interaction with the technical teams. Effective means of control have been put in place through internal audits on a variety of topics (for example, energy consumption in 2021). Once the quality of the data has been verified, it is consolidated in the Green index of the Dow Jones, which is a powerful way of accelerating the Group's ESG transformation.

Dedicated partners

The installation of data collection equipment is essential when data is lacking or is not sufficient to meet the Group's ambitions for the sustainable improvement of its assets. In this case, most of the interviewees turn to specialist partners.



Tools

Their expertise in collecting, reading, and analysing data enables them to produce reliable reports.

Benjamin Ly, Asset Management Director at **FREO Group**, believes that *“calling on external consultants to collect and read data is extremely useful. This information can then be passed on to business line staff, such as asset managers or real estate managers. Such analysis requires specific expertise that is not always available in-house”*. Specialist companies are therefore well placed to take on these tasks.

Meanwhile, the **Société de la Tour Eiffel** has developed its own data collection tool with the help of its software publisher, creating a database with tabs to view it by business line. This tool, developed in-house, makes it easier and quicker to control its evolution. All data is stored on a single platform and entered by the technical and legal teams. The tool is managed by the CSR team. 300 criteria, or data points, have been developed per asset, although for the moment everything is entered manually.

Another example: at **Siemens**, in-house solutions for automatic monitoring have been installed on sites of more than 5,000 m², to ensure automatic data reporting.

Whether the tool is managed by a partner or in-house, data fields are rarely misinterpreted - compared with conventional Excel-based monitoring - thanks to a prefilling system. In addition, data adjustment or updating is controlled and the application fields are already defined to avoid missing any criteria.

Regulation and data

Regulations define the collection of data, or at least steer its development and that of the tools that enable data collection. However, there is one point to bear in mind: regulations such as Taxonomy, BACS, and Tertiary Sector Decrees require a great deal of data to be collected. A system occasionally perceived akin to gasworks: time-consuming and costly in terms of human resources and energy, and often at odds with the low-carbon policies of the players we have met.

“Given the volume and importance of the data involved, reporting tools are essential. They enable teams to save time, for example through automated data collection, and to improve data quality and availability.”

Clément Jeannin, Group Director of Sustainable Development at Unibail-Rodamco-Westfield

The right balance must therefore be struck between compliance with regulations and the decarbonisation target.

In addition, it is sometimes difficult to understand how to collect data rigorously, when the regulations are not yet detailed enough to understand all the intricacies. In the case of the Décret Tertiaire (French Tertiary Sector Decree), the complexity lies not only in the collection of data as such but also in the fact that the data is collected by occupant, rather than by asset as required by the decree. Since an asset often houses several occupants, it is necessary to process the data accordingly.

Conclusion

“Energy efficiency also means digital efficiency.”

Magali Saint-Donat, Chairperson of the ADI CSR Committee

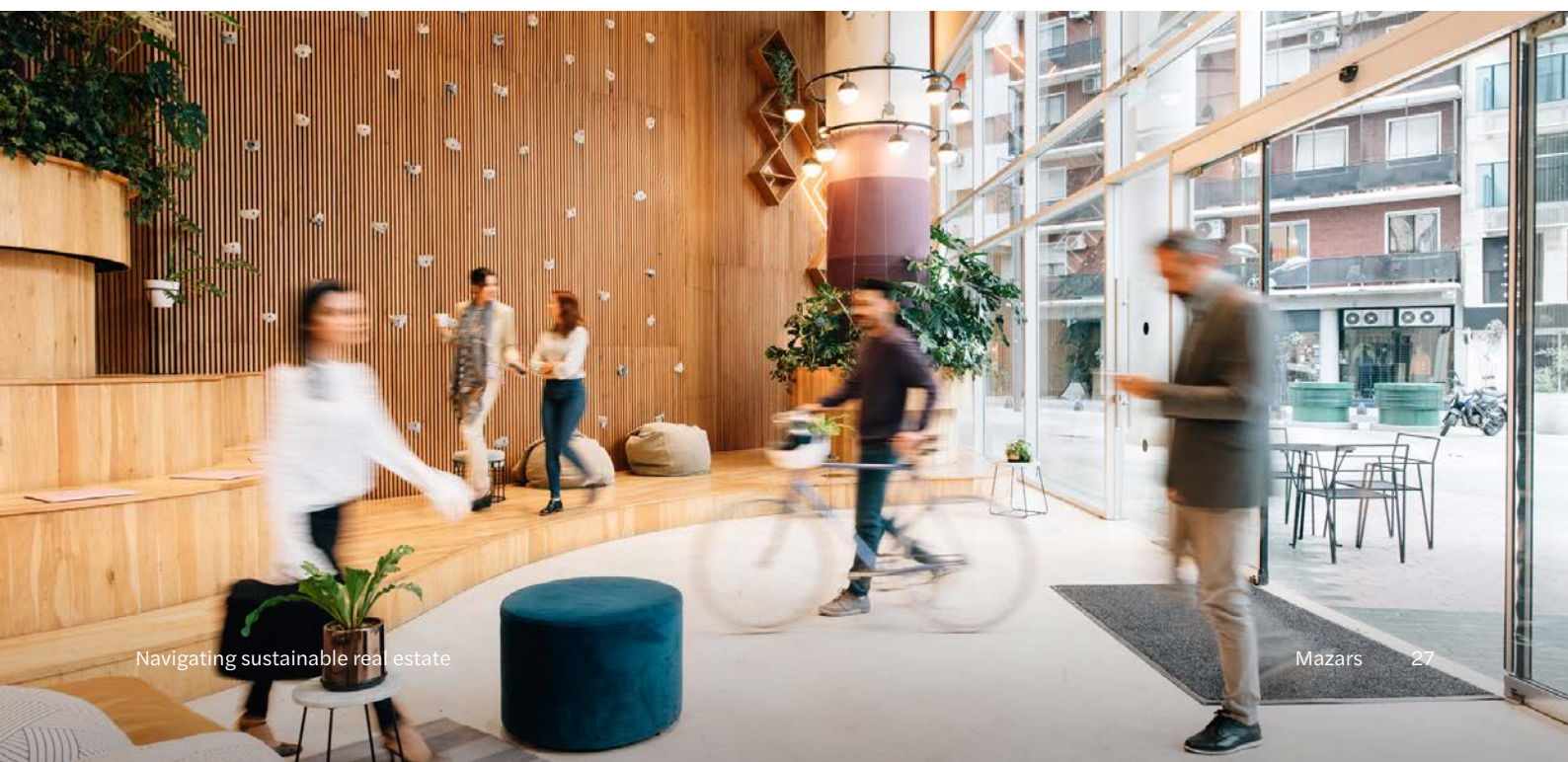
The real estate industry is first and foremost a business focussed on the operation of buildings. This underscores the necessity of redirecting our attention to the three pillars of an asset's life cycle: construction, operation, and use by its occupants. Anticipating a building's lifecycle through energy renovation projects that are not designed to conserve resources does not promote sustainability. Being responsible often means simply agreeing to use assets to the maximum.

CSR commitment and ESG policy implementation require our industry to take a step back. From our various discussions, we came away with a strong impression that simple gestures and basic initiatives, on an individual scale and repeated daily, form the basis of positive transformative actions. The race for data, labelling, and an image of excellence taints even the purest convictions when it comes to moderation in energy consumption, and sometimes makes us forget the very essence of our involvement. After all, the most important thing is to consume less and better.

One of the challenges facing European regulations is to ensure that they are as applicable as possible from an operational point of view. Indeed, the specific actions taken by organisations in the real estate sector are sometimes not in line with European legal obligations, even though the various players clearly want to work in the right direction.

We conclude this study with the conviction that on-the-ground action must remain at the heart of our concerns and that every stakeholder involved in the life cycle of property assets must have a say in ESG transformation. This research has been an opportunity to meet inspiring people and committed players united around a common cause: securing a viable planet for future generations. Through their contributions, we wanted to highlight their commitments, challenges, and convictions.

As the first in this series, we will continue to give a voice to those who are taking real action, driven by the desire to reason within their ecosystem. What we refer to as the megaphone effect!



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