Results GREEN

Global Real Estate Engagement Network

2024

May 2025

Table of content

Foreword

Dear GREEN members, real estate companies/funds, and other supporters,

We are delighted to share the progress and achievements of the Global Real Estate Engagement Network (GREEN) in improving climate risk management in the real estate sector. At the end of 2024, GREEN comprised 30 dedicated members with € 4 trillion of Total Assets under Management. We have collectively engaged with 52 listed companies and 25 non-listed funds, representing around 60% of the total AuM of the FTSE EPRA Nareit Developed index and a significant market share of the non-listed market.

The report highlights the outcomes of our members' engagement efforts, guided by the calls to action outlined in the GREEN investor statement.

Using our dashboard—validated by the University of Maastricht—and milestone tracking system, we observed measurable progress over the past three years in the climate risk management performance of listed and non-listed real estate companies and funds. However, industry progress is slow and there are a number of systemic barriers which hold back decarbonisation of the market. In order to lift those barriers, it is important that as an industry we collaborate to lift those barriers. GREEN is very excited that in September 2024 GREEN joined forces with Leaders of the Urban Future (LOTUF). LOTUF's work now continues within GREEN through a newly established **systemic workstream**. This workstream fully focuses on lifting the systemic barriers that slow down decarbonization in real estate. Its first priority is to improve transparency and consistency in financially material climate-risk metrics.

We would like to thank all our members for their active participation and knowledge sharing.

As we continue our journey, we invite other investors and asset owners to join us in ensuring GREEN's ongoing and lasting positive impact. Together, we can drive meaningful change within the real estate industry!

1 Executive summary

Engagements are effective, but progress is slow, indicating the need for more collective industry action to drive decarbonization

Overview of members' activities in 2024

34 listed companies engaged via one-on-one conversations

24 non-listed funds engaged via one-on-one conversations

In 2024, GREEN members engaged **24 non-listed funds** across 26 engagement meetings. These engagements have been with funds domiciled in all regions, but with a strong tilt towards Europe. GREEN members also engaged **34 listed companies** in the FTSE EPRA Nareit Developed Index. These listed companies are generally the most prominent companies by market capitalization in the index, and most of these companies have been engaged since GREEN's launch in 2021.

Non-listed funds publicly disclose more limited information than their public counterparts. Therefore, the report primarily focuses on the results of listed companies. These results include both engagement outcomes and assessments conducted by GREEN across the Top 120 companies from the FTSE EPRA Nareit Developed Index. In addition, GREEN carried out a broader survey within the listed real estate sector, which is also discussed in this report.

The report is structured as follows: it begins with an overview of GREEN, including our mission and approach. This is followed by key findings for listed real estate companies (Top 120), covering dashboard results, engagement outcomes, and survey insights. Finally, the report presents the main findings from our non-listed engagements.

Engagements across four themes

GREEN members conduct engagements across four key themes:

- **Governance/Target Setting**: Among the Top 120 listed companies, a 13.0% improvement was observed across governance/target indicators (net zero commitment, intermediate GHG and energy intensity targets) between 2022 and 2024. For the 52 companies engaged by GREEN members, this improvement was slightly lower (10.5%).

- **Implementation**: The Top 120 companies showed a 37.5% improvement in implementation indicators (e.g. implementation pathway, net zero audits, sustainability CAPEX) between 2022 and 2024. Companies engaged saw a significantly higher improvement of 70.6%, indicating the strong effectiveness of targeted engagements.

- **Climate Risk Disclosure**: Climate risk disclosure (e.g. physical risk assessment, transitional scenario analysis) improved by 29.7% among the Top 120 over 2022 - 2024. The companies engaged saw a slightly greater increase of 32.5%

- **Certified Data:** In 2024, 57% of the Top 120 listed companies improved on disclosing certified data (e.g. building certifications, energy labels), compared to 43% among the companies engaged by GREEN members.

The following sections of this executive summary will cover the key findings related to these four themes.

Slow improvements in target-setting, including Scope 3

Since the launch of GREEN, we have seen that the number of companies/funds setting decarbonisation and energy targets has gradually increased over time.

In 2024, 39% of companies have committed to net zero, up from 35% in 2023. GREEN members engaged 24 companies on this topic, with five committing to net zero following just one engagement round. On intermediate target-setting, Scope 3 target adoption is increasing across all regions but remains frequently absent from companies' intermediate GHG targets. While 84% of companies have now set an intermediate target, only 41% include Scope 3 emissions. Of the 19 companies engaged on Scope 3 target-setting, 16% have adopted such a target.

Regarding energy intensity targets, there was a 15% increase between 2023 and 2024. Many engaged companies are still considering whether to set a target; of the 16 companies engaged on this topic, three have set a target to date.

Engagements highlight the systemic barriers preventing the acceleration of decarbonization, where transparency is essential

Listed - 2024		Listed - 2023
39%	Committed to Net-zero across Scope 1-2-3	35%
84%	Setting GHG targets	79%
42%	Setting energy intensity targets	40%

Insufficient transparency in assessment, integration and pricing of transition risks and energy performance

There have been slow improvements in terms of companies conducting net zero audits, developing asset-level plans or estimating the sustainability CAPEX needed to meet long-term climate targets. The lack of disclosure makes it hard for investors to assess the financial implications and company preparedness for future scenarios. However, engagement results are promising:

- **Net zero energy audits**: Of 21 companies engaged, 80% are considering or working on audits; one has disclosed completed net zero audits
- **Asset-level plans**: Only 10% of engaged companies (21 in total) does not prioritize it; one has disclosed asset-level plans.
- **Sustainability CAPEX:** Particularly gaining traction in Europe—50% of European companies have disclosed estimates. Of 22 engaged companies, 80% are considering or working on it.

Listed - 2024		Listed - 2023
1%	Net zero energy audits	1%
2%	Asset level plans	1%
10%	Sustainability CAPEX	9%

Physical risk disclosure improving, but limited insight into transitional risks

There is still limited awareness of portfolio alignment with decarbonization pathways, such as CRREM. While 27% of companies have portfolios below the pathway, 73% are either not aligned or have not disclosed a status of alignment, suggesting that many assets may be at risk of stranding. Only 7% conduct and disclose their own scenario analyses, indicating limited awareness of potential transition risks. Although 29 companies have been engaged on this topic, only 7% of engagements have proven to be effective. Disclosure of physical risk assessments has improved, with 43% of companies disclosing compared to 30% in 2023. Engagements show results: of 26 companies engaged, 11 companies have disclosed their physical risk assessments.

Listed - 2024		Listed - 2023
10%	Scenario analysis[1]	9%
43%	Disclosing physical risks assessment	39%

While the engagements have been broadly successful, the progress of several companies was hindered by systemic barriers. These include a lack of transparency and (uniform) data availability, the absence of a supportive regulatory environment, and limited demand signals for low-carbon buildings from lenders, tenants, investors, and fund managers. GREEN recently joined forces with LOTUF to launch a new workstream in 2025 to address the systemic barriers preventing the industry from accelerating decarbonization. A key initial priority is promoting transparency and consistency of sustainability metrics to support simpler and more informed decision-making. The workstream's activities will improve the quality of information available to investors, enabling better investment decisions.

[1]: Disclosure of CRREM or a similar transition scenario analysis at the portfolio level. Disclosure of results is a prerequisite

2 What we do

What we do – Our mission

Improve climate risk management through engagements

The mission of GREEN

GREEN was established to enhance real estate companies' climate risk management practices through engagement. It was founded in recognition of the financial exposure the real estate sector faces due to climate risks. The ultimate mission of GREEN is to support the decarbonization of the real estate sector. Academic studies have shown that engagement by institutional investors can improve ESG impact and financial performance (Dimson et al., 2015; Grewal, Serafeim, and Yoon, 2016). Moreover, evidence suggests that collective engagement efforts are more effective than individual engagements (Dimson et al., 2020; Bauer, Clark, and Viehs, 2013).

Engagement workstreams

Since its inception in 2021, GREEN has pursued this mission through two dedicated engagement workstreams. These workstreams enable indirect investors to engage as shareholders with real estate companies and funds. One workstream focuses on engagements with non-listed real estate funds, while the other targets listed real estate companies.

The listed workstream engagements focus on the largest companies by market capitalization in the FTSE EPRA Nareit index. Engaged companies are selected based on the holdings of GREEN’s members and sustainability performance.

The engagements within both workstreams are guided by a **shared investor statement** that outlines **four key actions** on climate change and sustainability for real estate funds and companies. The topics of the call for action are: governance & target setting, implementation, disclosure, and certified data. All the members of the two workstreams have signed this statement, which is a call for action to their investee companies and the sector as a whole. The statement defines the structure of the collective engagements and is the basis for our dashboard design.

The GREEN investor statement outlines four key actions

Action 1

Governance & Target Setting

12 indicators including:

- TCFD alignment
- Science-based target setting

Action 2

Implementation

16 indicators including:

- Asset-level plans
- Internal carbon pricing
- CAPEX estimation

Action 3

Disclosure

16 indicators including:

- Scope 1-2-3 emissions & energy use
- Transition & physical risk

Action 4

Certified data

6 indicators including:

- Actual and reliable data
- Standardizing building certification

The GREEN process: assess, survey, engage, track progress

Intensive one-on-one collaborative engagements

Dashboard Assessment[1]

- Translation of the Investor Statement into 50 indicators;
- Tracks the Top 120 of the largest listed real estate companies;
- Separate dashboard for 24 non-listed funds.

Collaborative engagements

- GREEN members engage with companies via one-on-one collaborative engagement calls;
- Engagement asks are based on the dashboard assessment of the to be engaged entity and therefore on the investor statement asks.

Monitoring

- Tracks how companies respond to engagement asks by assigning milestones for each indicator discussed;
- Milestones are updated annually after conversations have taken place and should lead to improvement of the dashboard assessment.

Broad engagement

Annual Survey[2]

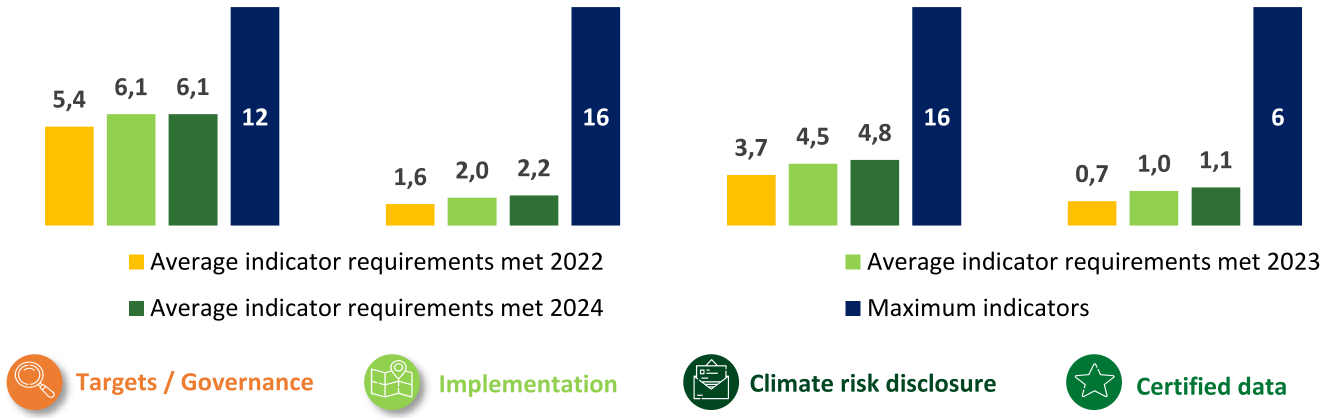
- Surveys are sent to all companies in the index on an annual basis.
- The survey questions are based on the dashboard indicators and engagement asks.
- The survey focuses on forward-looking questions. This allows GREEN to assess how the broader sector is performing and will develop in the future.

[1]: Results from the Dashboard Assessment are aggregated performance evaluated using public disclosure such as companies' sustainabilty reports.
[2]: Results from the Survey are anonymously aggregated responses of (non-binding) forward-looking strategy from companies surveyed.

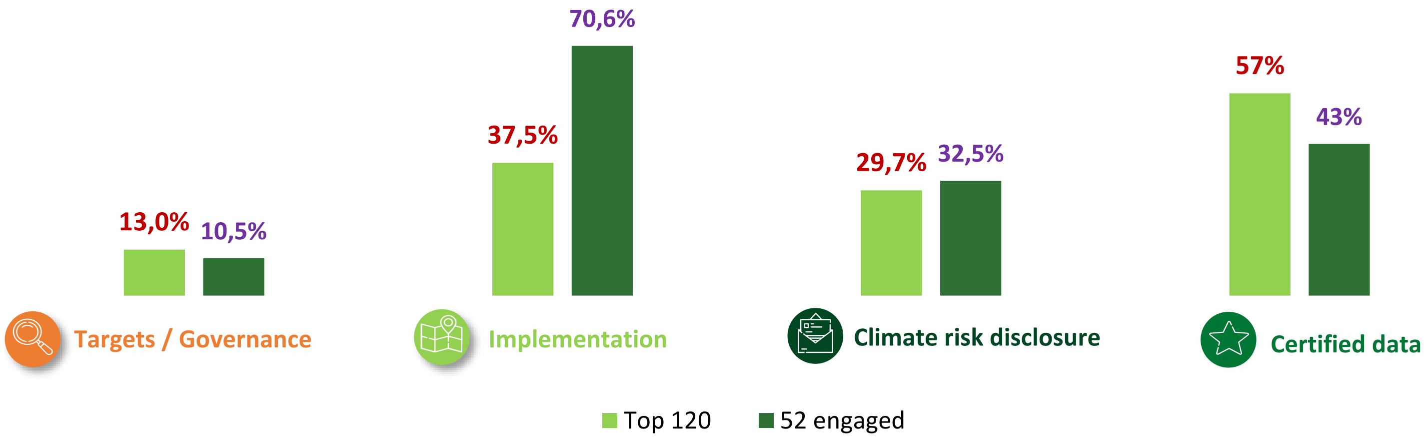
3 Annual Results 2024
Top listed companies

Industry and engagement results: Engagements effective but industry progress is slow

Dashboard Assessment 2022 – 2024: Top 120 largest companies[1]



Recorded impact of GREEN on dashboard improvements for 52 companies[2] between 2022 – 2024



Understanding our Dashboard

In 2024, GREEN assessed the top 120 companies in the index using the GREEN dashboard, comprising 50 indicators spanning four key actions.

In the "Dashboard Assessment" charts, the column "Maximum indicators" is the number of total indicators per key action in the dashboard. A company can meet an indicator (1 point) or not (0). For example, out of 12 indicators in Implementation, the 120 assessed companies met an average of 2.2 indicators in 2024 and 2.0 in 2023.

The "Recorded Impact of GREEN" charts illustrate the change in performance of the 52 companies engaged by GREEN members in the years 2022-24. Overall, companies engaged on implementation and climate risk disclosure, improved more than those not engaged. The implementation of climate risk disclosure is a topic frequently addressed during engagements by our GREEN members. Therefore, the significant improvements in implementation by the engaged companies align with the focus of these engagements. On the other hand, companies engaged by GREEN improved less than the market on targets, governance, and certified data. This is because these topics are less frequently discussed during engagements. Another reason is that GREEN members focus their efforts on the laggards.

The Top 120 – Performance highlights

Governance & Target Setting

- **84%** GHG target
- **39%** Committed to Net-zero[1]
- **31%** Embodied carbon target

Implementation

- **17%** High-level pathways
- **7%** Scenario analysis[2]
- **37%** LCA (Life Cycle Assessment)

Disclosure

- **45%** Above 80% GHG data coverage
- **43%** Disclose physical risk exposure

Certified data

- **34%** > 50% of certification coverage
- **14%** >80% of certification coverage

[1]: The indicator refers to a net zero commitment, including operational carbon from tenant energy.

[2]: Disclosure of CRREM or a similar transition scenario analysis at the portfolio level. Disclosure of results is a prerequisite.

Performance highlights

Governance & Target Setting

Nine out of the 12 indicators in this Action focus on Targets. These range from setting high-level targets (GHG or net zero) to more specific target setting (e.g SBTi validated, energy intensity, and Scope 3 targets). The most common target set is a GHG target (84% of Top 120).

Implementation

This Action focuses on ensuring companies implement strong risk management and those with credible targets prepare and plan to align with credible pathways. It includes indicators such as net zero audits, CAPEX estimations, and indicators focusing on embodied carbon and physical risks. Evidence of high-level pathways is increasing among assessed companies (17%).

Disclosure

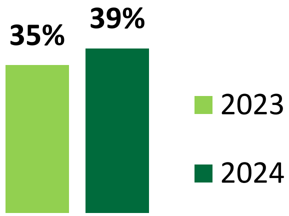
This Action addresses various aspects of climate disclosure, including data coverage and the communication of transition and physical risks. Overall, leading companies are striving to achieve greater data coverage, with 45% already attaining 80% GHG data coverage. Additionally, companies are relatively willing to share high-level information about physical risks, with 43% doing so.

Certified data

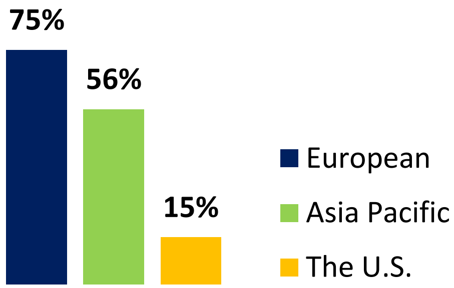
This Action focuses on external performance verification (e.g. energy labels and building certifications). A third of companies have achieved >50% certification coverage, but only 14% have achieved >80%.

Net zero commitment grows slowly – driven largely by Asian Pacific companies

Dashboard results



Net zero commitment



Net zero commitment, 2024

- **Commitment to net zero is growing:** The share of companies in the top 120 with a net zero commitment (including Scope 1, 2 and 3) increased from 35% to 39% over the past year.
- **There are clear regional differences in net zero commitments:** The increase was mainly driven by companies in the Asia Pacific region, where commitments rose by 19% compared to the previous period. In both Europe and the U.S., only one additional company committed to net zero. Overall, the U.S. has lower net zero commitment levels, with just 15% of U.S. companies committed, compared to 75% in Europe and 56% in Asia Pacific.
- **Engagement efforts have been effective, but challenges remain:** 21% of engaged companies set a net zero target after a single round of engagement

Our one-to-one engagements up to 2024

24 engagements on long term goals [1]

5 have committed to a Net-zero target

9 acknowledging / considering the goal

10 do not prioritise (8 are US-based)

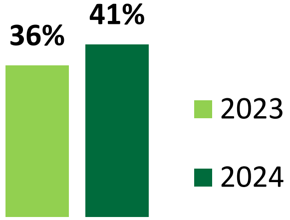
Why does it matter to investors?

- Long-term targets ensure that retrofits are planned and performed carefully to reach expected long-term energy performance standards with the least additional costs.
- To meet increasing net zero tenant and investor demand.

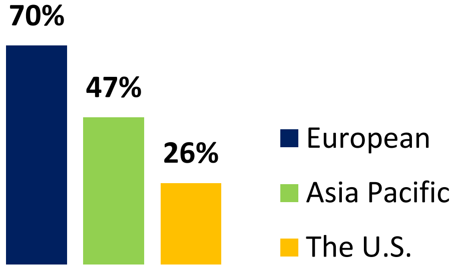
[1]: Including Scope 1, 2, 3

Scope 3 target adoption increases across all regions, but still often missing from intermediate GHG targets

Dashboard results



Scope 3[1] target



Scope 3[1] target, 2024

- **There is growing attention to Scope 3:** The number of companies with a Scope 3 target has increased by 15%, with progress across all regions.
- **However, intermediate GHG targets[2] that exclude Scope 3 remain common:** 84% of companies in the Top 120 have an intermediate GHG target, but fewer than half include Scope 3 emissions.
- **In the U.S., Scope 3 targets appear to be a more feasible starting point than a full net zero commitment**: While only 15% of U.S. companies in the Top 120 are committed to net zero, 26% have set Scope 3 targets.
- **Engagements on Scope 3 targets are beginning to show results, with some companies committing after engagement in Europe and Asia Pacific:** However, about half of the engaged companies still do not prioritize Scope 3. U.S. companies are less responsive, with none of the ten engaged having set a Scope 3 target to date. These outcomes highlight both the challenges and the potential of continued engagement to drive further commitments.

Our one-to-one engagements up to 2024

19 engagements on Scope 3 targets

- **3** have set a scope 3 target
- **6** acknowledging / considering the target
- **9** do not prioritise

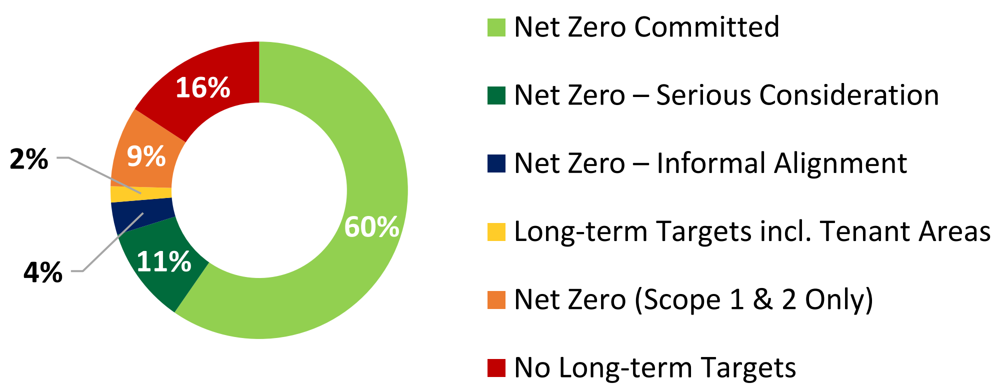
Why does it matter to investors?

- Global regulators and tenants increasingly require energy-efficient and low-carbon buildings. Tenant energy use or Scope 3 emissions depend significantly on the heating and cooling demand and, hence, the quality of the building.
- Therefore, not aligning with science-based scope 3 reduction pathways is an indicator of potential additional CAPEX and transition risks.

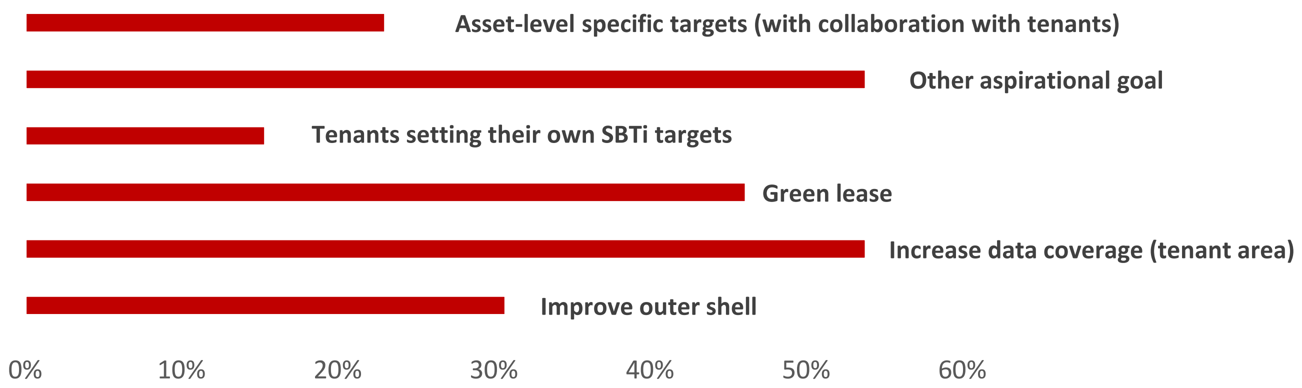
[1]: referring to scope 3 tenant area emissions
[2]: intermediate targets, with target year no further than 2035.

Companies lacking net zero commitments and Scope 3 targets often have other long-term performance goals

Survey – net zero committed



Survey – Breakdown of *no long-term targets*



Insights from our survey

GREEN surveyed real estate companies, with 60 responding. It is important to note that the survey has a geographical bias, with 44% of respondents based in Europe, 30% in Asia Pacific, and 26% in the United States. The results appear more positive than those in the dashboard which is based on the largest listed real estate companies in the EPRA Nareit Developed Index. This may be due to the higher proportion of European respondents. Still, the survey provides valuable insights that go beyond the Top 120.

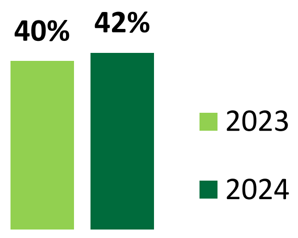
- **60% of surveyed companies have a net zero commitment:** Among those without a commitment, 11% are seriously considering one and 15% are working toward long-term targets, although not fully aligned with net zero or inclusive of tenant Scope 3 emissions. 16% have no long-term climate targets.

- **Some companies without long-term targets are taking meaningful steps:** Many are expanding data coverage, adopting green leases, or setting aspirational goals. While these may not meet the formal definition of net zero, they reflect efforts to align with climate ambitions.

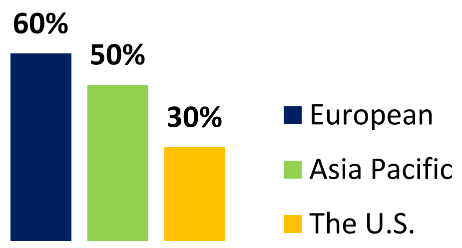
- **Barriers continue to prevent broader net zero commitments:** Key barriers include a lack of operational control and a focus on intermediate targets.

Energy target disclosure rising slowly but future commitments remain uncertain

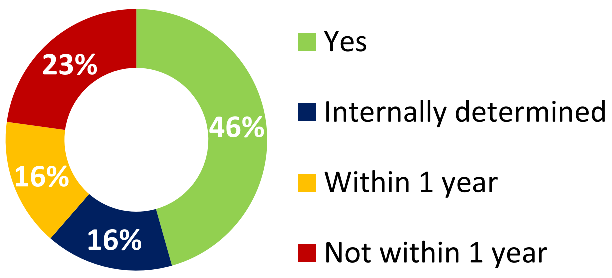
Dashboard and survey results



Energy target



Energy target, 2024



Survey: Science-based Energy Target

- **Slight increase in public disclosure of energy intensity targets:** This was mainly amongst European and Asian Pacific companies. In contrast, fewer US REITS in the Top 120 disclosed their targets compared to 2023.
- **Engagements have been effective, but progress is lagging:** Some companies have set an energy intensity target, but most engaged companies are still considering setting targets. Those considering target setting have not taken concrete follow-up steps in recent engagement rounds. Also, 40% do not prioritize energy intensity targets.
- **Half of those surveyed have disclosed an energy intensity target, but broader uptake remains uncertain:** While 16% indicate they will set an energy target, 23% have no plans to set a target within a year.
- **CRREM usage is not market practice when setting energy targets:** Among companies that have set or plan to set an energy target within a year, only 37% align with CRREM, while 63% follow another developed pathway.

Our one-to-one engagements up to 2024

16 engagements on energy targets

- **3** have set an energy target
- **7** acknowledging / considering the target
- **6** do not prioritise

Why does it matter to investors?

- Energy efficiency is widely seen as the first step in decarbonization strategies and in reducing operational costs. Purchasing green energy alone is unlikely to achieve national decarbonization targets and does not improve the assets.
- Many jurisdictions are implementing minimum energy performance requirements to meet nationally determined carbon targets. Setting energy targets helps companies prepare for potential regulations.

73% of companies are either at risk of stranding or have not assessed their stranding under the CRREM pathway

Dashboard results

Below CRREM[1] | Scenario analysis (e.g. CRREM) | Scenario analysis, 2024

- **There remains significant uncertainty around performance against the CRREM pathway:** 27% of the Top 120 companies have a portfolio below the CRREM pathway. However, 73% are either not aligned or have unknown alignment, suggesting that a large share of their assets may be at risk of stranding.
- **Only 7% of the Top 120 conduct and disclose their own scenario analyses:** While CRREM analysis is included in GRESB, a few companies conduct their own scenario analyses to better understand transition risks. These may follow the CRREM pathway or use alternatives such as those from the IEA.
- **Engagements on scenario analysis have not yet led to consistent progress:** Scenario analyses were discussed with over half of the companies engaged (29 out of 52), yet around 70% have shown little to no progress since the initial engagement.

Our one-to-one engagements up to 2024

29 companies engaged on CRREM

2 have used and disclosed CRREM
19 acknowledging / considering CRREM
8 do not prioritize this

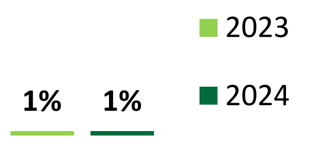
Why does it matter to investors?

- CRREM has emerged as a valuable tool as investors increasingly evaluate transition risks in their real estate portfolios. It provides energy and carbon-intensity pathways as a proxy or best estimate for future government regulations and corporate actions to fulfil their Paris commitments.

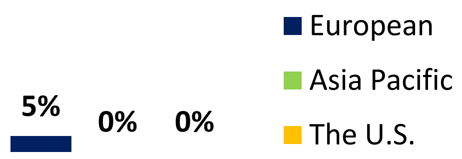
[1]: The indicator refers to the current performance of a company relative to the CRREM pathway. Being below the CRREM pathway as of 2023 means the company is currently outperforming the CRREM target for that year.

Net zero energy audits gaining interest but remain largely undisclosed and not aligned with net zero

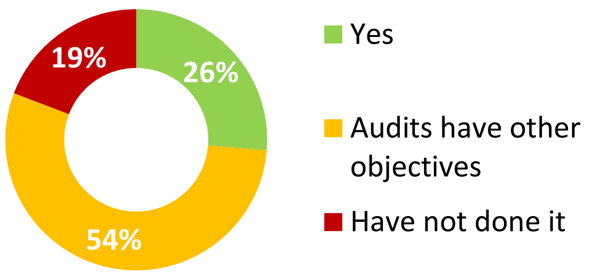
Dashboard and survey results



Net zero energy audits[1]



Net zero energy audits, 2024



Survey: Net zero energy audits

- **Public disclosure of net zero energy audits remains uncommon:** Among the Top 120 companies, only 1% (a single European firm) publicly discloses its net zero energy audit process, with no increase from 2023 to 2024.
- **Audits often lack full net zero alignment:** While 25% of those surveyed report conducting net zero energy audits, most do not disclose the results. About half of companies perform energy audits, but these are typically aimed at meeting SBTi targets, certification requirements, or improving energy ratings rather than aligning with a comprehensive net zero scenario.
- **Companies show willingness, but limited progress:** Among companies actively engaged on this topic, only one did not see the value of net zero energy audits. Encouragingly, around 80% are considering or already initiating audits, including eventual disclosure. However, most have yet to demonstrate meaningful progress.

[1]: The indicator refers to whether a company has carried out net zero or deep energy audits for its assets across the whole portfolio, showing the possible measures that can be taken to in line with an eventual net zero target or that lead to significant energy consumption reductions

Our one-to-one engagements up to 2024

21 companies engaged on net zero audits

1 has used and disclosed net zero audits

18 acknowledging / considering NZ audits

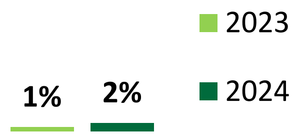
1 does not prioritize this

Why does it matter to investors?

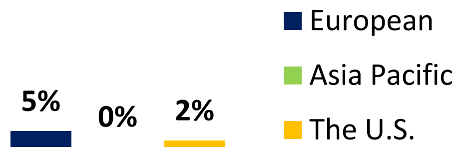
- Net zero energy audits are essential for providing real estate companies with a clear understanding of what is required to align their portfolios with net zero goals. While many companies conduct energy audits, incorporating a net zero scenario ensures understanding of the potential implications of this transition pathway. This transparency builds investor confidence that companies have insight into the current performance of their portfolio and a concrete plan for reaching net zero.

Asset-level planning progresses slowly and often lacks long-term alignment with climate goals

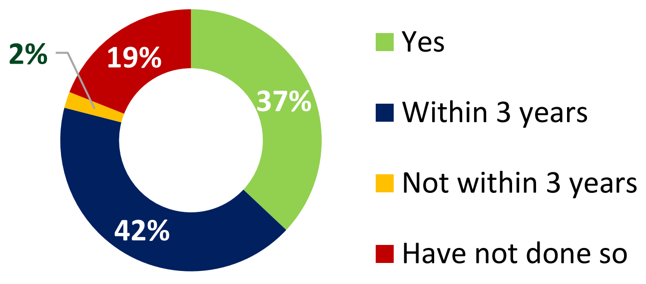
Dashboard and survey results



Asset-level plans



Asset-level plans



Survey: Asset-level plans (> 50% of portfolio)

- **Asset-level planning disclosure remains uncommon:** Only two in the Top 120 currently disclose plans, suggesting asset-level planning is still in its early stages among listed real estate companies.
- **Survey results present a more optimistic picture:** 37% of respondents have developed asset-level plans, and another 42% plan to do so within three years. Only 26% of companies have plans aligned with long-term goals such as net zero.
- **Many companies show a positive attitude towards asset-level planning, yet meaningful progress is limited:** Around 10% of engaged companies indicate that asset-level plans are not a priority. Only 6% have developed and disclosed asset-level plans. Meanwhile, 28% are taking follow-up steps but have not yet reached the disclosure stage.

Our one-to-one engagements up to 2024

21 companies engaged on asset plans

1 has completed and disclosed plans

15 acknowledging / considering plans

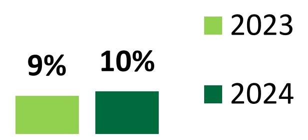
2 do not prioritize this

Why does it matter to investors?

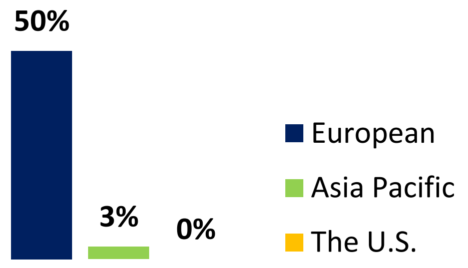
- When a company has a clear view of the specific retrofits or other measures needed to align its portfolio with net zero (or other long-term climate goals) at the asset level, this is an indication that the company understands what actions are required. Providing insights at the asset level increases credibility and reflects a well-prepared approach of the company for the future.

Sustainability CAPEX disclosure grows slowly with Europe in the lead

Dashboard results



CAPEX estimation



CAPEX estimation, 2024

- **The number of companies estimating and disclosing their sustainability CAPEX is slowly increasing:** Between 2023 and 2024, this rose from 9% to 10% among the Top 120 companies.
- **European companies are leading the way:** 50% of the European firms in the Top 120 are now estimating and disclosing their sustainability CAPEX. In contrast, this is significantly lower among Asian Pacific companies (3%). Also, none of the U.S. companies reported on their sustainability CAPEX.
- **Engagements indicate a strong willingness to move forward:** Only 10% of engaged companies do not consider it a priority, while 80% have either considered or are actively working toward sustainability CAPEX disclosures. However, despite this intent, there has been little progress across key milestones during the engagement period.

Our one-to-one engagements up to 2024

22 companies engaged on net zero CAPEX

1 has completed and disclosed CAPEX
19 acknowledging / considering doing this
2 do not prioritize this

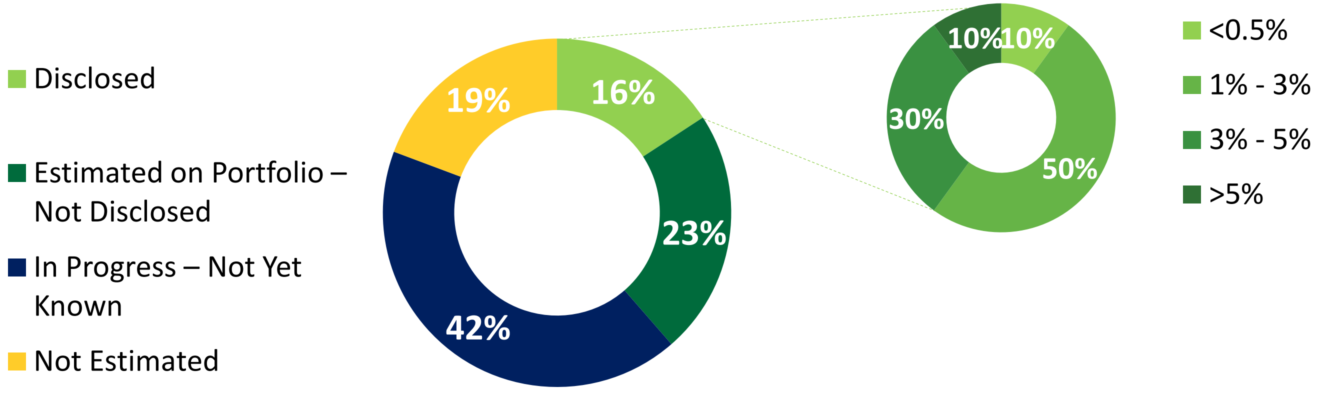
Why does it matter to investors?

- Estimating Net-zero or long-term green CAPEX assures investors that the companies are aware of impending regulations and are making sound investment decisions to effectively manage climate transition risks.
- Disclosure of this estimation offers transparency, instilling investor confidence in the company's preparedness for future scenarios.

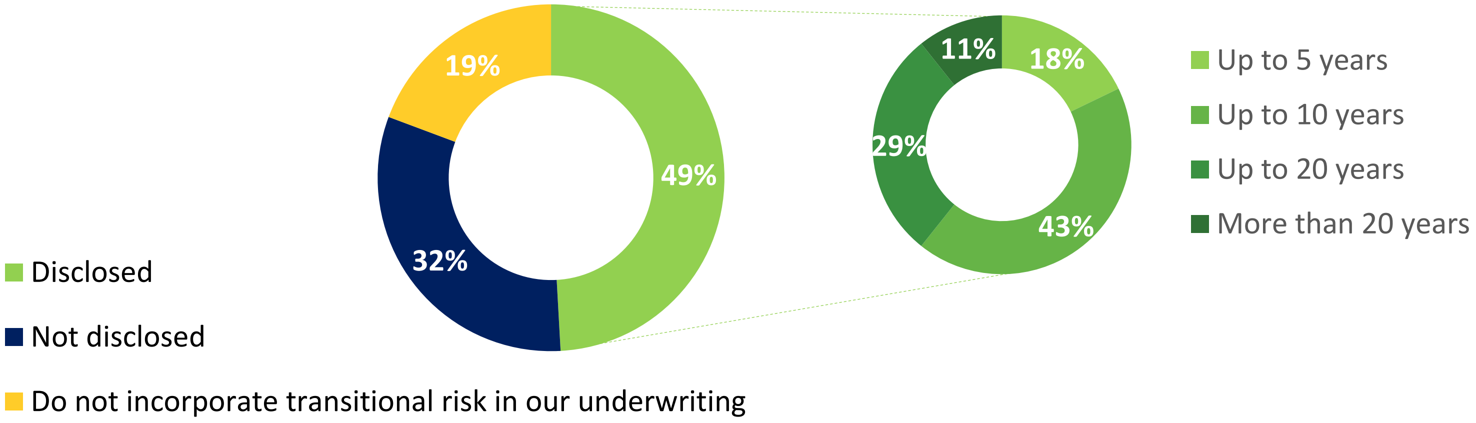
[1]: how much CAPEX is potentially needed for Net-zero or long-term decarbonization pathway

Insufficient transparency in how companies assess, integrate and price transition risks and energy performance

Survey – Sustainability CAPEX (% of NOI)



Survey – Horizon for incorporating transitional risk in underwriting

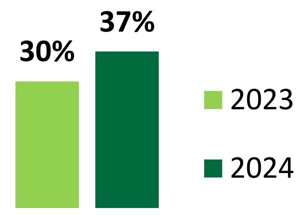


Insights from our survey

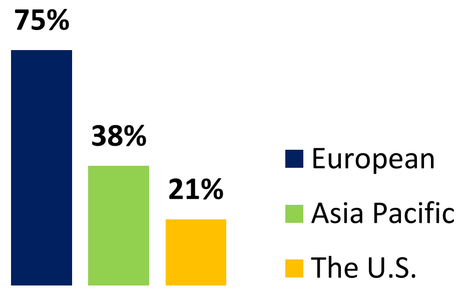
- **Sustainability CAPEX disclosure is low:** Only 16% of the surveyed companies can disclose their estimated sustainability CAPEX. This metric demonstrates preparedness for future scenarios and builds investor confidence, yet it is notably low. Among those that report, 50% estimate their sustainability CAPEX to be between 1% and 3% of their annual Net Operating Income (NOI).
- **Investors have limited visibility into companies' preparedness for net zero transitions:** Among those surveyed who are unable to disclose their estimated sustainability CAPEX, over 60% indicate that they do not yet know what this estimate should be. This suggests that investors are uninformed about the financial implications of a net zero-aligned portfolio and that many companies also lack clarity on what the transition will cost.
- **Underwriting practices are improving, but frequently overlook long-term transition risks:** While more than 80% of companies surveyed factor transitional risk into their underwriting, only a minority extend this analysis beyond a 10-year horizon. Many material transition and physical risks are expected to intensify over the longer term, making a long-term risk horizon increasingly important.

An increasing number of companies are sharing embodied carbon assessments[1]

Dashboard results



LCA assessment



LCA assessment, 2024

- **LCA assessments among Top 120 companies have increased:** According to our dashboard, 23% more companies have completed a Life Cycle Analysis (LCA) compared to 2023.
- **Regional differences remain evident:** Most European companies are conducting LCAs, compared to 38% in Asia Pacific and just 21% in the U.S.
- **Engagements on embodied carbon are producing positive results:** All companies engaged by GREEN members are either considering LCAs or have already disclosed them.

Our one-to-one engagements up to 2024

15 companies engaged on LCAs

4 have completed and disclosed LCAs
11 acknowledging / considering doing LCAs
0 do not prioritize this

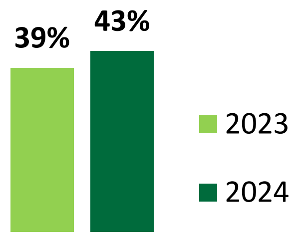
Why does it matter to investors?

- Embodied carbon contributes to GHG emissions and is especially important for companies where development and refurbishment activities are a large part of the business.
- As the importance of embodied carbon becomes more widely recognized, regulators, tenants, and investors with their own net zero goals may increasingly value low embodied carbon buildings.

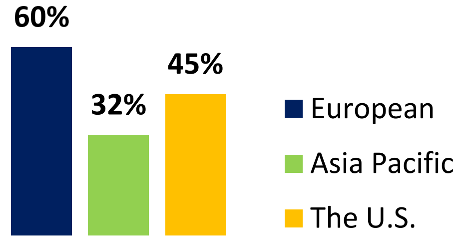
[1]: Within our dashboard, we do not make a distinction between LCAs and embodied carbon assessments

Physical risk assessment improvements in all regions, with U.S. companies almost matching Europe

Dashboard results



Physical risk assessment



Physical risk assessment, 2024

- **Public disclosure of physical risk assessments is steadily increasing:** The share of companies publicly reporting high-level conclusions from their physical risk assessments rose from 39% in 2023 to 43% in 2024. This reflects a growing willingness to disclose the outcomes of physical risk assessments.
- **Physical risk assessments are gaining traction, especially in Europe and the U.S.:** 45% of U.S. REITs have conducted and disclosed their physical risk assessments—a relatively high share compared to other U.S. REITs' climate risk practices. More European companies disclose physical risk assessments.
- **Targeted engagement on physical risk assessments achieves positive results:** Eleven of the 26 companies engaged, have conducted and disclosed high-level conclusions from their assessments.

Our one-to-one engagements up to 2024

26 companies engaged on physical risks

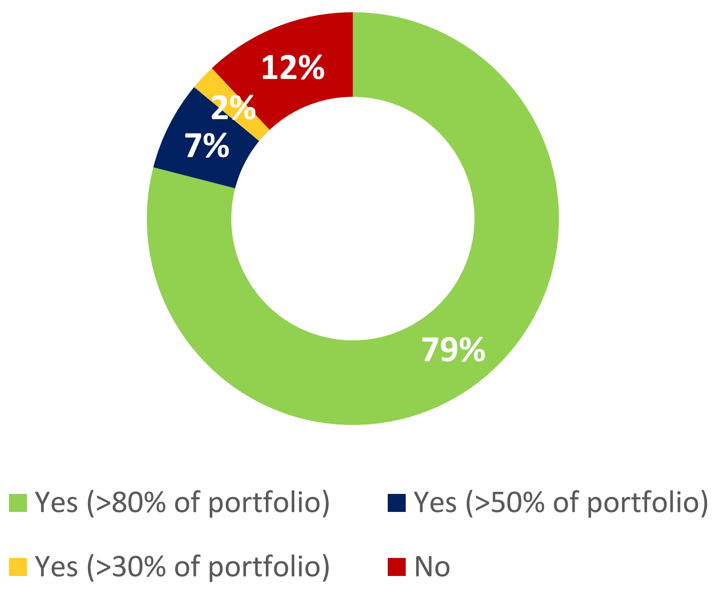
- **11** have disclosed on various levels
- **12** acknowledging / considering doing this
- **3** do not prioritize this

Why does it matter to investors?

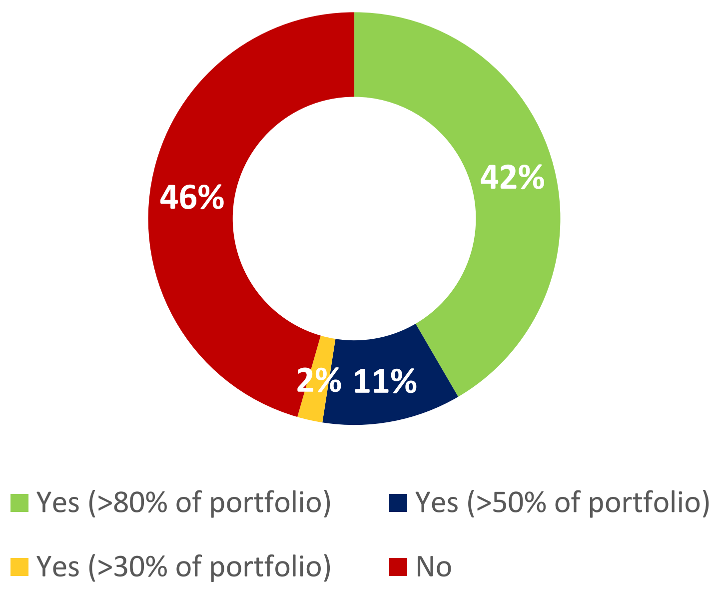
- Without proper disclosure of physical risk exposure and adaptation measures, investors are likely to overestimate the climate risks in a company's portfolio safe.
- Although assets may currently be covered by insurance, there is no guarantee that the rates will not increase significantly over time or that the assets will continue to be insurable.

Companies are making progress on physical risk and starting to assess net impact

Physical risk assessment



Net physical risk assessment



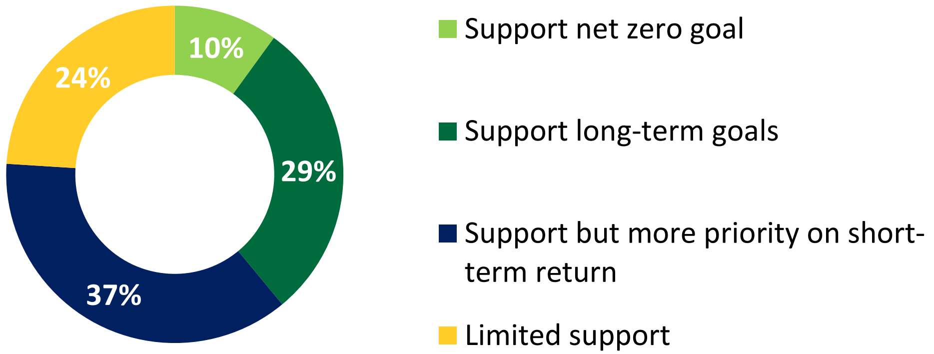
Insights from our survey

- **Physical risk assessments are becoming standard practice:** Survey responses indicate that many companies conduct physical risk assessments across large parts of their portfolios. Indeed, 79% of respondents report having insights into physical risks for over 80% of their assets. Only 12% of those surveyed lack insights into the physical risks associated with their portfolio.

- **Net physical risk assessments are emerging**: 42% of companies report insights into net physical risk (i.e., adjusted for mitigation and resilience measures) for over 80% of their portfolios. This indicates a positive shift toward more advanced and nuanced risk analysis at the asset level.

Investor engagement on net zero declines, yet seen as key to enhancing climate risk management

Investors' interest in progress towards energy/GHG goals[1]



Tenants' cooperation with data sharing and implementing efficiency measures[1]

[1] 12 companies indicated that they cannot conclude for now. These companies have been omitted from the analysis.

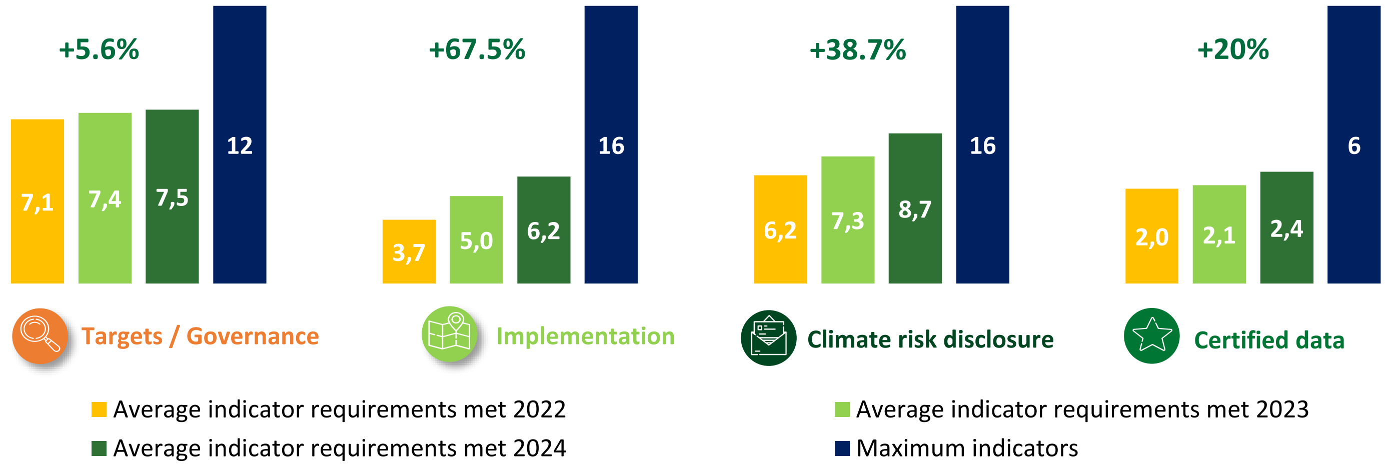
Insights from our survey

- **Investor and tenant support for net zero is declining, especially outside the U.S.:** Compared to 2023, investor support for net zero goals has dropped from 17% to 10% in 2024. This decline is driven by Asia Pacific (13%) and Europe (10%), while only 7% of U.S. REITs report investor support. 29% of all surveyed companies said investors support long-term goals.
- **Support from some investors remains conditional on short-term returns:** While 37% say investors back their climate goals, this support depends on not compromising immediate financial performance. 24% of companies reported limited investor support for climate goals.
- **60% indicated support from investors is an important factor for companies to enhance climate risk management**: Highlighting the importance of support from investors in decarbonizing the sector
- **Tenant cooperation on net zero remains limited and inconsistent**: Only 11% of tenants are willing to share data and cooperate in implementing efficiency measures to align with net zero. One in four companies says tenants do not cooperate with data sharing or implementing measures. Another 37% observed that tenants showed interest but did not always cooperate.

4 Annual Results 2024
Non-listed companies

Non-listed: improved implementation and disclosure

Dashboard Assessment 2022 – 2024: 24 engaged companies



Governance & Target Setting

58% Scope 3 target

58% Committed to Net-zero

Implementation

46% Asset level plans

46% Sustainability CAPEX

Disclosure

67% Portfolio level physical risk exposure

58% Disclose transition risk exposure

Performance highlights

During the engagements, we focused on implementation and climate risk disclosure, as these topics are financially most material for investors. It is encouraging to see that non-listed funds have made the most progress in these areas. Below we describe the highlights of each area:

Governance & Target Setting

Since the start of engagement, target setting and governance improved with 5.6%. All 24 funds set GHG reduction targets, but only 54% used science-based methods to do so and 58% include Scope 3. Another 58% are committed to net-zero for Scope 1–3.

Implementation

Implementation has improved by 67.5%. While skewed towards European funds with more sustainability-oriented shareholders, these non-listed funds (46%) more often have formulated high-level implementation plans. These funds also have forward-looking sustainability CAPEX estimates on portfolio level to reach net zero or CRREM-aligned performance beyond 2030.

Certified Data

Certified data have improved by 20%. 67% of funds have at least 50% portfolio certification coverage, 33% exceed 90% certification coverage.

Climate Risk disclosure

Disclosure has improved by 38.7% since the start of the engagement. Most funds perform well in terms of sharing risk analyses, with 67% sharing physical risk data and 58% disclosing transition risks.

5 Appendix

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Global Real Estate Engagement Network

Philips Pensioenfonds
finance ideas
ABP
apg
PENSIOENFONDS ACHMEA

PMT pensioenfonds Metaal & Techniek
pme pensioenfonds
MN
PGGM
Nedlloyd Pensioenfonds

WELLINGTON MANAGEMENT®
Stichting Pensioenfonds TNO
Anlagestiftung Testina
Pensioenfonds Detailhandel

ALMAZARA REAL ASSETS ADVISORY
Bouwinvest
CenterSquare REAL ASSET INVESTMENT LEADERSHIP
STICHTING PENSIOENFONDS HOOGOVENS
TRILLIUM ASSET MANAGEMENT

bpf BOUW
Schroders
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