



**DREES &
SOMMER**

12 SEPTEMBER 2023

The Regulatory Revolution in the Real Estate Industry: Embracing Disruption and Driving Change

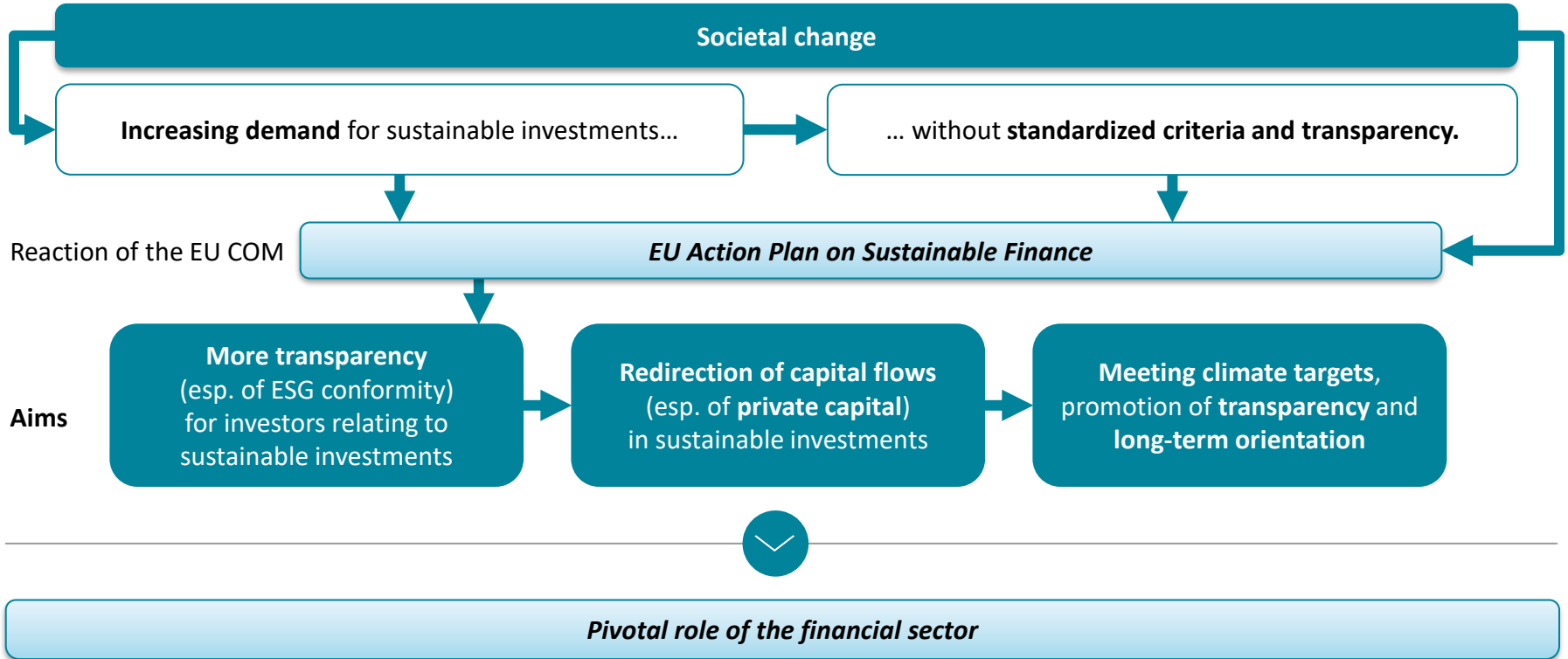
*Keynote Alexander Rausch, Drees & Sommer and
Lisa Watermann, GSK Stockmann*



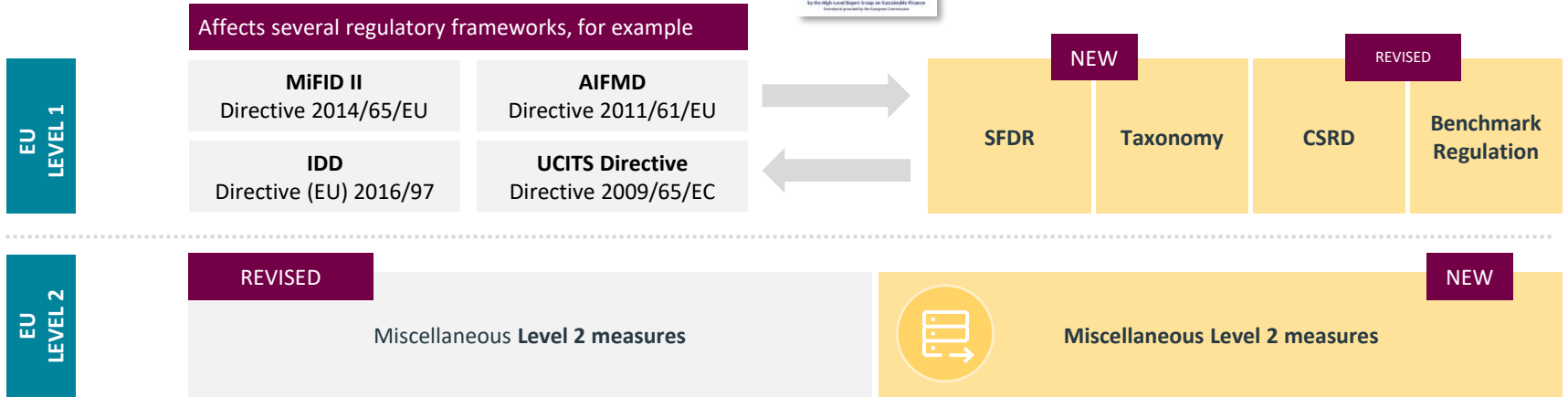
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➤ EU Action Plan on Sustainable Finance leading to...



➤ ... concrete regulation



NEW	<ul style="list-style-type: none"> Establishes comprehensive requirements for sustainability reporting Defines categories of sustainable financial products 	SFDR in force since 10 March 2021

Selected measures of the Action Plan - Level 1

New In force since 07/2020

EU Taxonomy Regulation

- Creation of a unified EU classification system („EU Taxonomy“) for determining whether an economical activity is *ecologically sustainable*

New In force since 12/2019

EU Transparency Regulation (SFDR)

- **Transparency obligations** for financial market participants and financial advisors regarding ESG criteria

Amended In force since 01/2023

CSRD

- Sustainability Reporting
- Obligation to publish information of the sustainability of the relevant business activities

Objectives

- more transparency
- less **fragmentation** (harmonisation)
- Prevention of „**greenwashing**“

- Ensuring that financial market participants and financial advisors integrate **ESG criteria** into their investment process and investors are informed about these in detail

- **Standardization** of transparency requirements
- Information on
 - Environmental targets
 - Social aspects
 - Governance



CONSEQUENCES FOR THE ASSETS & THE PORTFOLIO

Key message:

- **Fulfillment of reporting obligation** and creation of transparency (focus on SFDR)
- Risk management of sustainability risks (obligation)
- Taxonomy: depending on the design of the product
- **BUT** → Obligation to comply with climate targets from federal and Europe-wide specifications—climate neutrality by 2050

Possible consequences:

- Required designation of whether real estate complies with climate protection roadmap
- Loss of competition and reputation
- Loss of property value
- More difficult letting opportunities and longer vacancy periods
- Remediation obligations
- Prospectus liability
- Devaluation of the portfolio
- Lack of investor interest
- More difficult marketing

Additional country-specific examples:

- France: Energy reduction staggered 2030 and 2050
 - Consequences for non-compliance → Penalty and mention on government website
- The Netherlands: Mandatory compliance with energy label C by 2025 and A by 2030
 - Consequences for non-compliance → Prohibitions of use
- UK: No new or re-letting of commercial properties from 04/01/2023 with EPC rating below E
 - Consequences for non-compliance → Penalty of up to £150,000 per breach (non-residential), ban on letting, mention on government website



Recommendations for action based on regulatory requirements

The planned fields of action for the real estate sector are determined by the requirements of European regulation and transposition into national legislation:



Keep the global temperature increase to well below 2 degrees Celsius and make efforts to limit it to 1.5 degrees above pre-industrial levels, Art. 2(5) Taxonomy Regulation

Market standards

Priority goal: Reduce CO₂ emissions

- Determination of stranding time
 - Determination of the decarbonization and energy reduction pathway
 - Identification of customized improvement measures with an impact on CO₂ and energy intensity
 - Timing of the measures
- PAI designation
 - PAI statement
 - PAI ratio

Recommended

DD Process

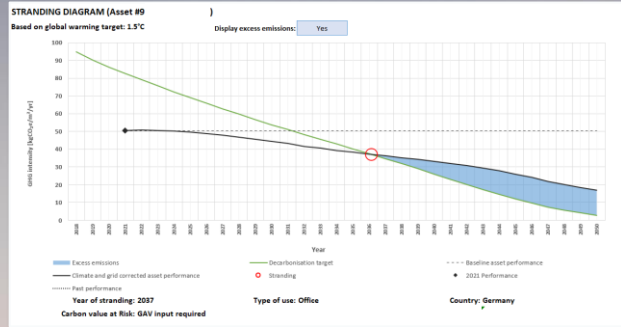
1. **Significant contribution to one of the climate goals mentioned above**
 - **Climate protection, Art. 10**
 - Determination of EPC classes
 - Determination of primary energy demand
 - **Use of renewable materials**
 - Material passports
 - **Economic life of CO₂-intensive assets**
 - Life cycle analysis
 - **Indicators for adverse effects**
 - PAI designation
 - **Adaptation to climate change, Art. 11**
 - **Sustainable use and protection of water and marine resources**
 - **Transition to a circular economy**
 - **Pollution prevention and control**
 - **Protection and restoration of biodiversity and ecosystems**
2. **DNSH—no substantial impairment of the other objectives, Art. 17**
 - **Annex I:**
 - Climate risk assessments/scenario analyses
3. **Compliance with technical criteria, Art. 19**
4. **Compliance with minimum social standards, Art. 18**



ESG checks in the transaction process and derivation of measures

Exemplary work results

CRREM analysis



PAI survey

Kunde
PAI Portfolioanalyse

Übersicht Pflicht PAI 17

ID	Fond	Objekt	Nutzung	Verkehrswert Q1 22	Grenze: Immobilienwert	
12	XY	XY	Büro	5.600.000	- €	
13	XY	XY	Büro	14.400.000	- €	
14	XY	XY	Büro	9.200.000	- €	
15	XY	XY	Büro	8.500.000	- €	
Ergebnis					40.700.000	0,00%

PAI 17: 0,00%

Kunde
PAI Portfolioanalyse

Übersicht Pflicht PAI 18

ID	Fond	Objekt	Baujahr	Verkehrswert Q1 22	Rating: min. LfK	angewandtes Rating DfK	SE 2019	effizientes Investitionsvermögen
12	XY	XY	2018	5.600.000 €	A-	A-	0	8.600.000
12-1	XY	XY	2018	n.v.	A-	A-	0	n.v.
13	XY	XY	2018	14.400.000 €	B+	B+	0	n.v.
13-1	XY	XY	2018	n.v.	B+	B+	0	n.v.
14	XY	XY	2020	9.200.000 €	B	B	0	0
14-1	XY	XY	2019	n.v.	B	B	0	0
14-2	XY	XY	2019	n.v.	B	B	0	0
14-3	XY	XY	2019	n.v.	B	B	0	0
14-4	XY	XY	2019	n.v.	B	B	0	0
15	XY	XY	2018	8.500.000 €	B	B	0	0
15-1	XY	XY	2018	n.v.	B	B	0	0
15-2	XY	XY	2018	n.v.	B	B	0	0
Ergebnis					40.700.000 €			21,1%

TDD & EDD

TAXONOMY ASSESSMENTS

(Green) Capex recommendation of measures

ESG Assessment and Carbon Use Disclosure - Maßnahmentafel

Maßnahme	Kategorie	Beschreibung der Maßnahme	CO2E Reduzierung (tCO2e/yr)	CO2E Reduzierung (tCO2e/yr)	CO2E Reduzierung (tCO2e/yr)	CO2E Reduzierung (tCO2e/yr)	CO2E Reduzierung (tCO2e/yr)	CO2E Reduzierung (tCO2e/yr)	CO2E Reduzierung (tCO2e/yr)
78	A	Wärmepumpe	100.000	100.000	0	0	0	0	0
79	B	LED-Beleuchtung	1.000	1.000	0	0	0	0	0
80	B	Wassersparen	5.000	5.000	0	0	0	0	0
81	B	Wassersparen	11.000	11.000	0	0	0	0	0
82	B	Wassersparen	200.000	200.000	0	0	0	0	0
83	B	Wassersparen	200.000	200.000	0	0	0	0	0
84	B	Wassersparen	1.000	1.000	0	0	0	0	0
85	B	Wassersparen	10.000	10.000	0	0	0	0	0
86	B	Wassersparen	10.000	10.000	0	0	0	0	0
87	B	Wassersparen	10.000	10.000	0	0	0	0	0
88	B	Wassersparen	10.000	10.000	0	0	0	0	0
89	B	Wassersparen	10.000	10.000	0	0	0	0	0
90	B	Wassersparen	10.000	10.000	0	0	0	0	0
91	B	Wassersparen	10.000	10.000	0	0	0	0	0
92	B	Wassersparen	10.000	10.000	0	0	0	0	0
93	B	Wassersparen	10.000	10.000	0	0	0	0	0
94	B	Wassersparen	10.000	10.000	0	0	0	0	0
95	B	Wassersparen	10.000	10.000	0	0	0	0	0
96	B	Wassersparen	10.000	10.000	0	0	0	0	0
97	B	Wassersparen	10.000	10.000	0	0	0	0	0
98	B	Wassersparen	10.000	10.000	0	0	0	0	0
99	B	Wassersparen	10.000	10.000	0	0	0	0	0
100	B	Wassersparen	10.000	10.000	0	0	0	0	0



EXAMPLE KPIs - ENVIRONMENTAL

Corporate Level

Climate and CO2

Areas of Action / Target Dimensions

- **Climate Neutrality**
- **Energy Consumption**
- **Renewable Energies**
- **Water Consumption**
- **Waste & Resources**

Targets / KPIs

- Climate neutrality by 2040
- By 2030, photovoltaic systems are to achieve a capacity of 50,000 kWp.
- The water saving target of 5% by 2025 compared to the base year was already achieved in 2016/2017.
- Electricity consumption in the fiscal year 2022/23 should not increase by more than 0.4% compared to 2020/2021.



EXAMPLE KPIs - SOCIAL

Corporate Level

Ethisches Verhalten

Areas of Action / Target Dimensions

- **Human Rights**
- **Responsible Procurement and Collaboration with Subcontractors and Service Providers**
- **Healthy (Construction) Materials**

Targets / KPIs

LTIFR: Lost Time Injury Frequency Rate per 1 million working hours

- In operational countries
- Introduction of a work management system

Producers in risk countries:

- Identification of at-risk producers

Social audits:

- Related to subcontractors & service providers
- According to Amfori BSCI + certificate



EXAMPLE KPIs - GOVERNANCE

Corporate Level

Gleichberechtigung & Inklusion

Areas of Action / Target Dimensions

- **Employee Recording (proportion of women, age groups...)**
- **New Employees**
- **Executives and Distribution**
- **Further Education and Commitment**
- **Social Commitment**

Targets / KPIs

Employees

- Women in STEM positions
- Women in leadership positions
- Proportion of women, men, diverse
- Employees by gender & age groups
- Number of nationalities
- Employees with recognized severe disabilities or those treated as equivalent
- Part-time rate by gender
- Turnover by gender & age
- Employee representation
- Number of apprentices, interns, students



EXAMPLE | ALIGNING THE ESG STRATEGY WITH THE ESRS / CSRD

Case Study for a Real Estate Company

Key KPIs

- Insert time-specific targets, e.g. increase the share of renewable energies to x% by 2025 (according to ESRS E1).
- Set specific CO2 emission reduction targets, e.g. reduce Scope 1+2 emissions by x% p.a. (ESRS E1).
- Set water reduction targets in line with ESRS E3, e.g. reduce water consumption by x% per square meter.
- Measure employee satisfaction and define target values for improvement (ESRS S1).
- Increase the proportion of women in leadership positions to at least x% by 2025 (ESRS S2).
- Introduce and document annual compliance training for all employees (ESRS G1).
- Create a supplier code of conduct and audit at least x% of all suppliers (ESRS S5).
- Conduct an annual customer survey with a target value for the recommendation rate (ESRS S4).
- Implement an internal control system for ESG risks with regular reporting (ESRS G2).
- Aim for external ESG ratings and publish all ESG reports on the website (ESRS G3).
- Develop a clear roadmap with milestones for short-, medium-, and long-term goals



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Thank you for your attention!



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Location Munich

Sectors

- REAL ESTATE INVESTMENTS & ASSET MANAGEMENT
- FINANCIAL SERVICES
- FUNDS

Competencies

- INVESTMENT FUNDS
- FINANCIAL REGULATION
- COMPLIANCE
- ANTI-MONEY LAUNDERING (AML)

Practice Areas

- Current main areas of activity: Sustainable Finance, MiFID II, commercial brokerage of financial assets
- Advising asset management companies, banks and financial service providers
- Regulatory licensing issues and advice on ongoing supervision to ensure compliance
- Compliance and prevention of money laundering by financial market participants

Education and

Professional Experience

- Lawyer at GSK Stockmann since 2013
- Sustainability management training (TÜV NORD) 2022
- Secondment to GSK Luxembourg SA (2016)
- Admitted to practise law in Germany (2013)
- Trainee lawyer, inter alia, with an international commercial law firm in Frankfurt in the practice area of banking and capital markets
- Studies at the University of Münster and Maastricht University (Netherlands)
- Qualified banker

Languages

- English, German

Publications

- Glück, Oliver / Watermann, Lisa: Offenlegungsverordnung - Umsetzung der Transparenzvorgaben für Investments ist bis heute ungeklärt, in: Börsen-Zeitung, 28.05.2021.
- Strelczyk, Christoph / Watermann, Lisa: Anforderungen an Fondsmanager werden deutlich erhöht, in: PLATOW Recht, 10.03.2021, S.6

Publications

- Glück, Oliver / Watermann, Lisa: Neue Offenlegungsverordnung zu Nachhaltigkeit greift ab 10. März, in: Börsen-Zeitung, 05.03.2021
 - Watermann, Lisa / Kramer, Robert: Sustainable Finance: Fluch und Segen für Immobilienfonds, Börsen Zeitung 2019 SPEZIAL, S. 10 f., Oktober 2019.
 - Watermann, Lisa / Glück, Oliver: Die Finanzbranche wird zum Nachhaltigkeitsmotor, Rechtsguide 2019, Süddeutsche Zeitung 20.02.2019.
 - Watermann, Lisa / Lorenz, Philippe: MiFID II „light“? Wohl kaum. Referentenentwurf zur Finanzanlagenvermittlungsverordnung, in: CCZ – Corporate Compliance Zeitschrift, Heft 1/2019, S. 33ff., 15.01.2019.
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Professional career

since 2022	Drees & Sommer SE, Head of ESG Consulting
2019–2022	Deloitte GmbH, Düsseldorf, Senior Manager & Authorized Signatory
2016–2019	CBRE GmbH, Hamburg, Senior Manager, Office Manager & Authorized Signatory
2015–2016	CBRE GmbH, Düsseldorf, Manager
2012–2015	Engel Canessa GmbH, Düsseldorf, Property Manager
2011–2012	alt+kelber GmbH, Essen, Portfolio Manager

Other roles, focal points

- ESG consulting at corporate, asset, and portfolio level
 - Holistic strategy consulting with a focus on ESG and sustainability
 - Development of a holistic set of checks for real estate
 - Cloud-based tool for conducting ratings
 - Conduct ESG, taxonomy, assessments, and quick checks
 - Implementation of sustainability measures
- Risk advisory services for real estate companies
- Innovation and digitization (Blockchain, Web 3.0)

Personal reference projects (excerpt)

- ESG strategy including reporting for an industrial company, Drees & Sommer
- ESG strategy consulting for various management companies, Drees & Sommer
- Establishment of a pan-European ESG consulting team, Drees & Sommer
- Development of a cloud-based ESG rating for real estate
- Various strategy projects for different car manufacturers
- Foundation & development of the CBRE Property & Asset Management office, Hamburg



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Wir sind für Sie da.

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