LIFE IS WHAT WE MAKE IT



ESG FACTORS SHAPING OUR RETAIL INDUSTRY

PROTECTING AND ENHANCING VALUE

TODAY'S PRESENTER

OVERVIEW

Stefan is a pre-eminent leader in the Sustainability and Property Management industry, and at Cushman & Wakefield he is coordinating and expanding the firm's Sustainability and ESG teams in the CEE region. He is a member of Cushman & Wakefield's EMEA Sustainability Operational Committee which is responsible for driving Sustainability services, sharing best practice, knowledge, and service unification for clients across the entire EMEA region. Besides Cushman & Wakefield's EMEA committee, Stefan is also a member of the RICS European Sustainability Working Group.

With over 23 years of real estate experience, Stefan has spent the last 13 years in CEE. He is a member of IFMA, a lecturer at the MBARE at Prague University of Economics & Business, a RICS qualified FM professional and Chairman of the Advisory Board of RICS Czech Republic.

MAJOR PROJECTS

Spielberk Office Centre, Brno

- Creating and implementing sustainability strategies for 5.5 mio sgm mixed portfolio
- Certified a portfolio of 300 buildings in 7 countries with BREEAM In-use
- Implemented Zero Waste strategies in 100k sqm office projects
- Implemented Smart Metering in a 5.5 mio sgm portfolio
- · Installed over 15 MW solar installations including successful grant applications
- ESG Audits and reporting for multiple assets throughout CEE
- Secured green refinancing worth over 250 mio EUR







LEADS SUSTAINABILITY



STEFAN DE GOEIJ MRICS

Partner Head of Sustainability & ESG CEE

WHY THE REAL ESTATE MARKET?

DID YOU KNOW?



bttps://www.un.org/setainstredevelopment/Sities
 https://www.ea.org/about
 https://www.mosi.com/20714050/10/4/98//htm

ENERGY & ESG HAS BECOME CENTRAL DRIVER TO VALUE



MAXIMIZING VALUE

Protecting and enhancing value



PARIS AGREEMENT MAIN EU LEGISLATION AND CRREM PATH

PARIS AGREEMENT

- Paris Agreement is a legally binding international goal on climate change
- 195 parties (98% of global GHG emissions) have ratified or signed to the Paris Agreement
- Long-term temperature goal to well below 2°, while pursuing efforts to limit the increase to 1.5° by 2100 and achieve NET ZERO emissions by 2050
- The heart of Paris Agreement are national pledges to contribute to global mitigation and adaptation goals.
- Each country produces a nationally determined contribution (NDC), which MUST BE submitted at a maximum of five-yearly intervals.

PARIS CLIMATE AGREEMENT





adaptation to climate

impacts certain to occur



Limit the avg. global temperature increase to < 2° centigrade + achieve net zero emissions by mid-century

Align financial flows in the world with these objectives





CSRD – CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

Needs to be implemented in CEE Law (18 months from December 2022) | Part of non-financial statement | Companies must disclose information reg. ESG performance | Change in transparency and risk analysis





It anticipates renovating 220 million buildings standing by 2050.

STRATEGIC APPROACH TO SUSTAINABILITY, INCLUDING ESG REPORTING

1. DATA (utility consumption, waste, gas emissions, data on employees, health and safety, workplace quality, bicycle stations, charging stations)

2. ANALYZES (on the impact on the environment, society, users, employees, suppliers, climate risk analysis, analysis of collected data)

3. PLANS (risk management, waste management, water, energy, biodiversity, electromobility, climate change adaptation or mitigation plans)

4. POLICIES (environmental, DEI, human rights, code of ethics, supplier code)

PARIS PROOF ACCORDING TO CRREM



Stranded assets are properties that:

- will <u>not meet future</u> energy efficiency standards and market expectations
- might be <u>increasingly exposed</u> to the risk of early economic obsolescence and risk of new fees/ carbon taxes etc.



WHAT OTHER QUESTIONS DOES CRREM HELP TO PROVIDE ANSWERS?

When should I sell my property to **avoid costs of CO2 emissions?**

Will my properties meet future energy efficiency standards?

Will upgrade of my assets be financially viable?

What are **net zero carbon transition risks** for the property I consider to buy?

Will buying this asset be financially viable taking into consideration required **future energy efficiency retrofit**?

EPBD EUROPEAN PARLIAMENT <u>REVISION PROJECT</u> FROM MARCH 2023



- Mandatory "Minimum Energy Performance Standards" MEPS.
- All <u>new buildings</u> should be zero-emission from 2030 (buildings owned by public bodies by 2028)
- All <u>residential buildings</u> will have to reach energy class F by 2030 (*ca. 30M buildings in UE have level G*) and class E by 2033.
- <u>Non-residential buildings</u> will have to be renovated even earlier – to at least energy performance level F by 2027, and to at least level E by 2030.



Directive of the European Parliament and of the Council – EPBD initiative



CHANGE HORIZON - EPBD IV





Směrnice Evropského parlamentu a rady Energy Performance of Building Directive



Present implementation of EPBD in the Czech environment

- Introduced a uniform EPC (energy performance certificate of buildings)
- Energy performance of buildings must be given in a numerical indicator of primary energy consumption in kWh/m2
- Introduced faster renovation of buildings
- Changed the emphasis on the indoor environmental quality of buildings
- Introduced a smart readiness indicator (SRI)
- Introduced requirements for electro-mobility infrastructure and charging parking spaces in buildings
- Created a new energy standard and requirement for new construction with NZEB parameters

EPBD IV - REVISION 2022-2024

- Replaces NZEB for NET ZERO OPERATIONAL CARBON (2025) and NET ZERO WHOLE-LIFE CARBON (2036)
- INTRODUCES A NEW EPC- ENERGY PERFORMANCE CERTIFICATE (EPC) CARBON FOOTPRINT PART OF EPC!
- INTRODUCES SO-CALLED MANDATORY MINIMIMUM ENERGY PERFORMANCE STANDARD (MEPS), ie. obligation to renovate the worst EPC-rated buildings
- INTRODUCES SO-CALLED BUILDING RENOVATION PASSPORT (BRP)
- INTRODUCES SO-CALLED- DIGITAL BUILDING LOGBOOK
- THE OBLIGATION TO DEVELOP THE NATIONAL PLAN FOR RENOVATION OF BUILDINGS AT GOVERNMENT LEVEL

EPBD IV - NEW ENERGY PERFORMANCE CERTIFICATE





EPC - article 16 – 19/ EPBD IV recap 2022

- Uniform European EPC format
- Digital form in the EU database called Digital Building Logbook
- Direct link to MEPS (minimum energy performance standard) and BRP (building renovation passport) according to EPC ratings.
- Links EPC to GD/FF55 funding packages
- TIGHTENS THE PRIMARY ENERGY INDICATOR
- SETS A MANDATORY SHARE OF RENEWABLE ENERGY IN TOTAL CONSUMPTION AT EACH EPC LEVEL
- INTRODUCES GRADE A+/ A = ZERO EMISSION
 BUILDINGS, will be exempted from carbon building tax
- GRADE G = should represent 15% of the lowest rated buildings at national level
- Reduces the validity of passports to 5 years for Grades G-D/ passports remain valid for 10 years for Grades C-A
- Introduces new information obligations/

EPBD IV – BUILDING RENOVATION PASSPORT





BUILDING RENOVATION PASSPORT – EPBD IV Article 10

- Building renovation passport (a set of mandatory recommendations for a building to meet the MEPS standard, i.e. minimum performance standard) DIRECT LINK TO MEPS and EPC REQUIREMENTS
- Obligation to have BRP in EPC stages G-D
- Accelerate and facilitate low carbon renovations
- Provide a transition framework from a fossil building to a building characterized as NOZB standard
- Encourage building owners to comply with mandatory standards set by MEPS
- Integrate Building Passport into financial instruments, e.g. to provide higher subsidies for recommended renovations

EPBD IV - DIGITAL BUILDING LOGBOOK



BUILDING DATA - EPBD IV Article 14

- Create an interconnected central data warehouse
- Create EPC/ BRP database and carbon footprint database at national level
- Selected BIM/BoM data should also enter the whole-life carbon (WLC) model from 2036 onwards
- Link to "carbon accounting" and implement a carbon property tax

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CHANGE HORIZON - CONCLUSION



- EVERYTHING IS CURRENTLY IN THE PHASE OF EU DIRECTIVES that have not yet been implemented into the Czech law, but already being discussed by the Legislative Council of the Czech Republic.



- FUNDAMENTAL CHANGE OF EPC, its digitization and interconnection with MEPS and BRP
- ESSENTIAL CHANGES for assessment of parameters heat transfer coefficient, heating system assessment, revision of technical standards CSN 730540-02/ČSN 730331-1 ...
- In all likelihood, most BUILDINGS WILL BE DOWNGRADED WHEN EPC IS RENEWED
- Reduction of EPC VALIDITY in grades G-D to 5 years
- NEW OBLIGATION continuous carbon footprint monitoring will be introduced (from 2025) for all commercial buildings
- MEPS sets new requirements for BMS (carbon footprint reporting, digital meters, ...)
- **BRP** obligation for buildings classified in grades D G
- Integrates everything into a single information platform Digital Building LogBook
- EPC/MEPS/BRP as tools for assessing financial subsidies and their inclusion in the EU Taxonomy

Solutions – How deal with this

HOW - THE PROCESS WE ADOPT

Understanding of the Key ESG drivers from a commercial approach



- Gather all available building documentation
- Determine baseline environmental performance for material indicators.
- Analyse client's ESG commitments
- Red flag identification
- Impact rating/sustainability performance
- ESG Scorecard

- Test alignment of the asset to international and national mandatory minimum required standards and regulations
- EU Taxonomy
- Climate risk assessment
- Local legislation review
- GRESB
- SFDR

- Assess asset performance against the EU decarbonisation pathways using the CRREM tool.
- High/Medium/Low risk rating depending on the stranding year (2026/2035/2045)
- Ensure low cost, high impact measures are prioritised to maximise asset value in the short term.
- Develop a strategy that aligns to or exceeds market trends and sets a clear roadmap, with costs, to improve ESG credentials.
- Determine asset against general property and specific certification standards (LEED, BREEAM, WELL, etc).
- Determine most appropriate strategy to improve the ESG credentials to improve value and finalise costs for implementation of recommended measures.
- CAPEX Estimation (Cost Consultant)

OVERVIEW OF FIELDS FOR IMPROVEMENT



HOW BIG IS THE POTENTIAL?

Savings achieved by our Sustainability Teams



Electricity





Natural gas / Ing / Ipg



ROI time starting from 6 months up to 8 years



System heating



Up to 38%

Water



EXAMPLES – NET ZERO STRATEGIES

Urbil Shopping Centre



Type: Retail Area: 37.500 m² Client: GRES Tasks: EPC Improvement Assessment

Proposed strategy achieves:

- Reduction of 66% EUI
- From C to A EPC upgrade

Limbiate Shopping Centre



Type: Retail Area: 27.037 m² Client: PATRIZIA Tasks: Net Zero Strategy

Proposed strategy achieves:

- Reduction of 63% EUI
- CRREM based Net Zero Building

FIVE Building



Type: Offices Area: 4.458 m² Client: PATRIZIA Tasks: Net Zero audit & BIU

Proposed strategy achieves:

• Reduction of 42% EUI

 7 measures selected for the Net Zero pathway, including Capex plan

THANK YOU

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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and approximately 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services.

To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.



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