

# Why there is no alternative to being sustainable

Despite growing global public awareness and pressure for urgent action on climate change, last year's COP26 climate conference demonstrated that the world is still a long way from finding consensus on how to best tackle the issue.



**Mathieu Elshout,**  
Head of Sustainability and Impact Investing,  
PATRIZIA

Fortunately, many in the financial services industry are already waking up to the fact that it cannot wait to be told what to do. Real asset investment management is no exception. The statistic – from the World Green Building Council – that the construction and running of buildings is responsible for 39% of carbon emissions globally is much repeated and yet never loses its impact. Quite simply, if our industry doesn't put its house in order, the world will have no chance of reaching net zero carbon by 2050, as set out in the Paris Agreement.

from the built environment are going to become more stringent in most territories in the years to come – and soon, at least from both a development and real assets investment perspective. The EU's Green Deal is one example; the UK's minimum energy efficiency standards (MEES) programme another.

At PATRIZIA, we firmly believe in looking at sustainability in the round and have developed a robust and comprehensive ESG strategy, alongside a timetable and framework for its implementation. Assets that are energy efficient, low in greenhouse gas emissions and have a future proof design, are a win-win for everyone: for the tenants, for us, the owner operators, and of course for our clients.

Our four long-term ESG goals that underpin our strategy are as follows:

- Become a **leading sustainable investor** in real assets with a consistent UN PRI 5-star rating from **2025** onward and a majority of our assets certified under our **Create Better** programme.<sup>1</sup>
- Be an **employer of choice** in the Real Asset sector.
- Become a **leading global impact investor** in the Real Assets sector with a meaningful part of our AUM in impact investments by **2035**.
- Achieve **net zero carbon**<sup>2</sup> status across our corporate operations and real estate portfolio<sup>3</sup> by **2040 or earlier**, with a clear ambition to execute as fast external and our stakeholder requirements permit.



**Aaron Scott,**  
Head of Strategy & Sustainability,  
PATRIZIA

The good news is that the tide has turned. Certainly, there is now little doubt that policies and regulations when it comes to carbon emissions

## How we create value for society

There are a number of global challenges we need to overcome in order to support the UN SDGs and create value for our stakeholders. Here's our approach to tackling these challenges.



Creating value:  
PATRIZIA's  
approach  
towards a more  
sustainable  
economy

These goals have been deliberately aligned to the United Nations' sustainable development goals (SDGs), including but not limited to SDG 11 (sustainable cities and communities), SDG 7 (renewable energy), SDG 13 (climate action), SDG 3 (good health) and SDG 4 (quality education).

"We are convinced that having clear sustainability goals allows us to create additional value for our clients, shareholders and society at large. To take the carbon agenda first, we are working hard to gather data on our assets' carbon footprints and in parallel upskilling our in-house teams to implement fund- and asset level decarbonisation strategies, thereby reducing our environmental impact in a very tangible way, said Aaron Scott, PATRIZIA's Head of Strategy & Sustainability.

Sustainability needs to be a way of working – embedded across the organisation, and that is the approach we have taken at PATRIZIA. Given PATRIZIA's mission to 'build Communities and Sustainable Futures', we already had an in-built and receptive corporate culture. Talent mobilisation, upskilling where necessary and reinforcement of our sustainability mindset, through our own "Create Better" PATRIZIA employee engagement programme and pathway to building a sustainable organisation. To be clear: in my role as the Head of Sustainability at PATRIZIA, success for me will be the day the Board tells me I am redundant!"

We are also broadening the scope of our business to encompass infrastructure investment as well pure play real estate. Last year, we announced the acquisition of Whitehelm Capital and the integration of the infrastructure specialist is now well underway. Our PATRIZIA infrastructure team will allow us to play an active role in promoting responsible capital allocations to support the estimated \$14 trillion cost to fund the 2050 global energy transition agenda.

In addition, we know that our efforts cannot always be restricted to the emissions for which we are held directly responsible. For instance, we also need to start addressing the carbon that is embodied in building materials and inherent in the building process, which amount to around 11% of global emissions. Applying this broader lifecycle analysis to the inputs of our operations redefines the scope of our internal emissions reductions thinking, for example by limiting vehicle movements to and from our sites must become a consideration in our emissions reductions planning.

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Aaron Scott, Head of Strategy & Sustainability, PATRIZIA

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We are also working closely with our tenants to encourage them to behave in a more sustainable way. After all, providing an efficient building doesn't necessarily mean that it will be used efficiently. By gradually rolling out best-in-class smart building technology we can help tenants lower their energy bills and carbon emissions at the same time. Given that occupiers are increasingly aware of both their costs and their responsibilities to their own investors, this can be a win-win solution.

And of course, we can already point to examples of how our approach is making a difference when it comes to lowering carbon emissions. A great example is The Louise in Brussels, an iconic office

building in need of redevelopment. We are stripping down the façade and technical installations, but maintaining the super structure and concrete slab, thus saving embodied carbon of c.8,500 T, a 50% lower carbon footprint than would have been the case for an average new build office of the same size.

All stripped out materials will be recycled where possible, saving a further 1,500 tons of carbon emissions, while the project will also lead to the creation of 1,500 square metres of new green space. Once successfully completed, it is anticipated that the building will achieve BREEAM 'excellent'.

However, such environmentally sustainable approaches only take us so far. PATRIZIA isn't just dedicated to building sustainable buildings; it is committed to delivering sustainable communities too. What's more, when we talk about communities, we do not simply mean that community that works or lives in one of our assets. Rather, we mean the wider community: our buildings and developments should benefit as many people as possible and continue to do so in the long term. For example, our flagship open-ended pan-European residential fund, Living Cities, is very much focused on sustainable community creation. All Living Cities homes are located within walking distance to amenities such as kindergarten, schools, sports facilities, green spaces and supermarkets.

"We are imminently launching the first in a series of impact fund products dedicated to affordable and sustainable homes, focused on the challenges facing individual cities and countries. That new impact fund will offer an attractive financial risk adjusted return on the one hand, and measurable positive social and environmental outcomes, on the other. We are confident that by channelling our investment to the right places and products we can make a real difference, while at the same continuing to serve our clients. Impact investing, we believe, is

here to stay," said Mathieu Elshout, PATRIZIA's Head of Sustainability and Impact Investing.

On a more community level, our new infrastructure team has a proven track record providing a social return. Kinland's preschool portfolio, for instance, provides essential services to working parents, allowing labour participation across all levels of society.

Further afield, the PATRIZIA Foundation continues, as it has now for decades, to invest in educational projects around the world, empowering young people to enjoy a life of self-determination. Education is a fundamental human right: only by receiving an education can people build thriving and sustainable communities. Since 1999, this approach has benefitted around 250,000 children and young adults through our KinderHaus facilities.

It is clear that PATRIZIA is making significant progress on its journey to becoming a truly sustainable company, while creating value for our clients. There is no alternative to being a sustainable partner for all stakeholders – be it for investors, city authorities or communities. Never before has being sustainable been more urgent or important.



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**FOOTNOTE**

1 As defined in the PATRIZIA Impact Investing policy, which broadly aligns to Article 9 of the EU Sustainable Finance Disclosure Regulation (2088/2019) and equivalents in other jurisdictions.

2 Includes operational emissions and embodied carbon for new developments and major refurbishments, excluding the 'sunk' embodied carbon of the standing portfolio. Further details of the commitment, including a granular breakdown of the scope of the target, can be found in the PATRIZIA Net Zero Carbon Strategy paper.

3 Targeting equivalent best efforts for our infrastructure portfolio.