

# Greater possibilities together as responsible investors



**Maximilian Kufer**  
Head of ESG,  
Invesco Private  
Markets

Institutional investors are increasingly seeking investment strategies that produce positive environmental, social & governance (ESG) outcomes while also delivering sustainable returns. Private market investments provide a unique opportunity to implement ESG strategies that deliver tangible and measurable outcomes given the nature of the investments and level of influence in directly managed and owned assets.

At Invesco Real Estate (IRE), we believe that a deliberate and disciplined approach to ESG+R (environmental, social, governance & resilience) can successfully balance responsible investment objectives while meeting the needs of clients and fulfilling our fiduciary responsibilities, focused on driving good performance. This philosophy is based on the belief that ESG+R aims to deliver competitive financial returns and provides opportunities for business growth and innovation.

## Our ESG+R integration

We work with our partners to improve ESG performance and promote best practices when it comes to ESG solutions in real estate. This enables us to respond to changing market dynamics for greater levels of action and transparency.

We aim our ESG integration efforts towards achieving better buildings with broader insights, aiming towards a more risk-resilient portfolio. As we look across the globe, we can see our integration at work through:

- achievement of Net Zero certified buildings by maximising building energy efficiency with technology, producing on-site energy and promoting clean transportation;
- renovation of buildings, minimising our embodied carbon by sourcing materials locally and re-using existing building structures;
- engagement with our tenants to collaborate in improving wellbeing and environmental performance to reduce costs; and
- focusing on amenity and development of communities within communities, creating spaces where people want to live, eat, work and play.

By integrating ESG into our investment management processes, we are providing additional data and insight to teams making investment decisions to be equipped with a broad spectrum of data to understand emerging risks and opportunities for value creation.

We are motivated by the belief that doing what's right for the environment, our people, and the communities we serve help us deliver the best possible experience to clients by mitigating risks and generating sustainable returns.

Looking to future trends, we have a Climate Risk Dashboard, designed by our in-house Strategic Analytics team, which provides insight to identify and mitigate, or completely avoid, potential climate risk exposure. This will ultimately help us better preserve and grow capital and deliver potentially stronger returns for our clients.

Climate risk refers to multiple, interacting risks that can compound and cascade, making it difficult to estimate. Measuring climate risk requires quantifying both the likelihood and consequences of climate change in a particular location.

To understand the exposure of IRE's global property portfolio to climate change, the dashboard displays the risks pertaining to our portfolio assets and summarises and filters risks by portfolio, using maps and charts to highlight key information. This allows us to generate location-specific climate risk scorecards which are detailed and valuable, but optimising their use at IRE required building additional tools to better visualise and disseminate the data. Therefore, to leverage the information for better investment decision making, we democratised our climate risk process – in particular, streamlining information delivery to teams involved in the appraisal of asset acquisitions and those managing existing assets and portfolios.

## How we benchmark our ESG+R performance

Since 2012, we've reported to GRESB – the leading international benchmark for real asset ESG performance. In 2022, five of our funds achieved the maximum five out of five 'green stars', with five additional funds achieving four 'green stars' out of five.<sup>1</sup>

## Case study examples

**ENVIRONMENTAL** – In Asia, 321 Exhibition Street in Melbourne, Australia is our first asset in Asia, and indeed globally, to meet the firm's global commitment to achieve net zero carbon.

This 30,200 SM, 20-Storey office became the first retrofitted office building in the State of Victoria to achieve the highest market-leading 6-Star NABERS Energy Rating in 2017. It also has a 6-Star NABERS Water Rating and 5.5-Star

Indoor Environment Rating. Through modern building systems and an onsite trigeneration plant providing electricity and heating, the property is among the top 5% of buildings nationally in terms of emissions per unit of area. It was Certified Carbon Neutral under the Australian Government Climate Active program.

**SOCIAL** – In the Bronx neighbourhood of New York City, our 48-building portfolio with 1,904 units at PRC Bronx provides low-income housing to the community's vast working class. It is the largest portfolio of its kind in New York City, which we acquired in 2021 in a joint venture agreement. The plans are to incorporate job training and offer residential financial literacy programs across the portfolio as well as fund music programs for younger residents.

**DEVELOPMENT** – In London, 20 Manchester Square, a prime office building in the West End is our very first carbon neutral re-development project which is due to complete in 2024. By focusing on its attractiveness as a distinguished core building in a unique location, we are recycling or retaining some 72% of the original building structure, including the concrete frame and external walls, during the re-development. In addition to the considerations during the project, the plan creates over 2,200 sq ft of external green roof terrace and upgraded occupier amenities including facilities for active commuters, improved air quality with advanced filtration systems, enhanced visual comfort with natural lighting and bulbs with a high colour rendering index to reduce eye strain. The building is also targeting BREEAM Excellent<sup>2</sup> and Wired Platinum.

We have many more examples of how we implement our ESG+R investment approach. Find out how we could help you align with your stakeholders' ESG expectations too by speaking to your Invesco representative today.

### FOOTNOTES:

- <sup>1</sup> Any reference to a ranking, a rating or an award provides no guarantee for future performance results and is not constant over time.
- <sup>2</sup> BREEAM = Building Research Establishment Environmental Assessment Methodology. More details available here: <https://bregroup.com/products/breem/>



**Investment risks:** The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.  
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