

# Navigating ESG schemes

Entity and asset-level voluntary schemes for energy and emissions in the global real estate sector

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## Introduction

This factsheet clarifies the purpose and complementarity of key international ESG (Environmental, Social and Governance) schemes in the global real estate sector – focussing on how they address energy and emissions in the built environment, in other words focussing on the ‘E’ in ESG.

### Entity versus asset-level schemes

We unpack how enhancing the complementarity of entity-level and asset-level voluntary schemes can strengthen the ESG ecosystem and therefore guide impactful investment decisions.

### Scheme purposes

We propose and define three purpose categories in ESG schemes: benchmark, report, verify.

We then explore key international voluntary ESG schemes in real estate and construction along these three purposes to further showcase complementarity.

## Background

Financial and non-financial disclosure regulations, as well as a proliferation of climate commitments from corporate and financial actors, is activating the existing landscape of voluntary schemes.

The built environment has a mature Environmental, Social and Governance (ESG) ecosystem, relative to other sectors, with a large number of voluntary programs, standards, and certification schemes. Indeed, companies and financial institutions across the globe have used green building certification to verify the sustainability credentials of projects for decades.

Investors, funders and asset managers are also increasingly using top-down schemes, anchored in science-based decarbonisation pathways, to align transition plans and portfolio KPIs with global climate goals.

However, there are inconsistencies in the application of metrics and standards, which are being used differently by different groups of actors, and a lack of contextualisation of decarbonisation solutions in ESG schemes.

# Guiding impactful investment decisions



## Entity-level schemes

### Reporting frameworks

Frameworks help transparency and comparability of performance at the entity level, and guide data collection from single assets.

### Decarbonisation pathways

Pathways rooted in scientific global carbon budgets allow actors to map risks, commit to targets, and develop transition plans, all of which better inform investment and funding decisions.

### Global commitments

Commitments promote industry action and ensure buy-in to deliver or exceed targets.

## Added potential from aligning entity and asset-level schemes

### Transparency

ESG schemes should be rooted in scientific evidence, use similar data sources and clearly disclose any assumptions.

The enhanced transparency from using ESG schemes reduces the physical and transition risk, whilst also helping link investment targets with the appropriate projects/assets.

### Accountability

Third party verification and ESG assurance at asset-level provide accountability on the impact of investments amongst stakeholder groups, e.g. developers, financial institutions and investors.

### Contextualisation

Asset-level schemes can optimise a building's decarbonisation solutions and enhance its financial value by considering regional/local appropriateness, regarding energy systems, climate, health, resilience, equity, resources and circularity aspects. This better enables an asset to meet decarbonisation goals at entity-level.

### Comparability

International organisations seek comparability of assets' performance across geographies. Well-aligned and inter-operable reporting metrics at asset and entity-level ensure comparability of building performance, and can inform benchmarking towards scientific evidence and peers.

### Holistic sustainability certification

Certifications schemes and/or rating tools ensure that individual assets are designed, built, (re-)developed, and operated in line with an entity's climate targets, commitment, transition plan and/or set decarbonisation pathways.

### Emissions/ energy verification

The verification of real energy and/or emissions performance of an asset over time ensures robust monitoring as well as the contextualisation of appropriate decarbonisation solutions.

















## Asset-level schemes



### Definition: Entity versus asset

- An 'entity' is a business or organisation and includes all resources (or 'assets') owned or controlled by that entity. For entities with resources in different sectors, we only consider the portfolio of assets in the built environment.
- An 'asset' is a resource owned or controlled by a business or 'entity' (for example, a building).

# Key voluntary international ESG schemes

Scheme	Scope	Level of action		Purpose		
		Entity	Asset	Benchmark	Report	Verify
 GRESB	E S G	✓		Peers Carbon budget*	Emissions Energy	
 CRREM	E	✓		Carbon budget		
 SCIENCE BASED TARGETS	E	✓		Carbon budget*	Emissions Energy	Climate targets
 GRI	E S G	✓			Physical risks Emissions	
 ISSB  IFRS®	E S G	✓			Physical risks Emissions	
 CDP	E G	✓			Emissions	
 WORLD GREEN BUILDING COUNCIL NZCB Commitment	E G	✓		Technical feasibility & best practice	Emissions Energy	
 Net Zero Asset Managers Initiative	E G	✓			Emissions Energy	
 Climate Bonds INITIATIVE	E	✓	✓	Best practice (15% top performers)	Emissions	Real energy + emissions
 HQE	E S G		✓	Tech. feasibility Best practice		Sustainability metrics Real energy + emissions
 BCA GREEN MARK	E S G		✓	Tech. feasibility Best practice		Sustainability metrics Real energy + emissions
 BREEAM®	E S G		✓	Tech. feasibility Best practice		Sustainability metrics Real energy + emissions
 DGNB System	E S G		✓	Tech. feasibility Best practice		Sustainability metrics Real energy + emissions
 greenstar	E S G		✓	Tech. feasibility Best practice		Sustainability metrics Real energy + emissions
 LEED	E S G		✓	Tech. feasibility Best practice		Sustainability metrics Real energy + emissions

\* Informed by CRREM

## Benchmark

Schemes providing **sustainability benchmarks**, including or limited to energy and/or emissions benchmarks, informed by the highest technical feasibility, best practice, peers or scientific evidence.

Entity-level top-down emissions pathways are anchored in global carbon budget estimations.

Some benchmarking schemes provide guidance to **improve performance**.

## Report

Schemes guiding the disclosure of information to investors and clients, including physical risks, energy or emissions.

They ensure **standardised and comparable information** and can be valuable to inform investment decisions.

A key concept is double materiality: the disclosure of material **risks** to an entity or asset, as well as material **impacts** on the environment, which some schemes follow.

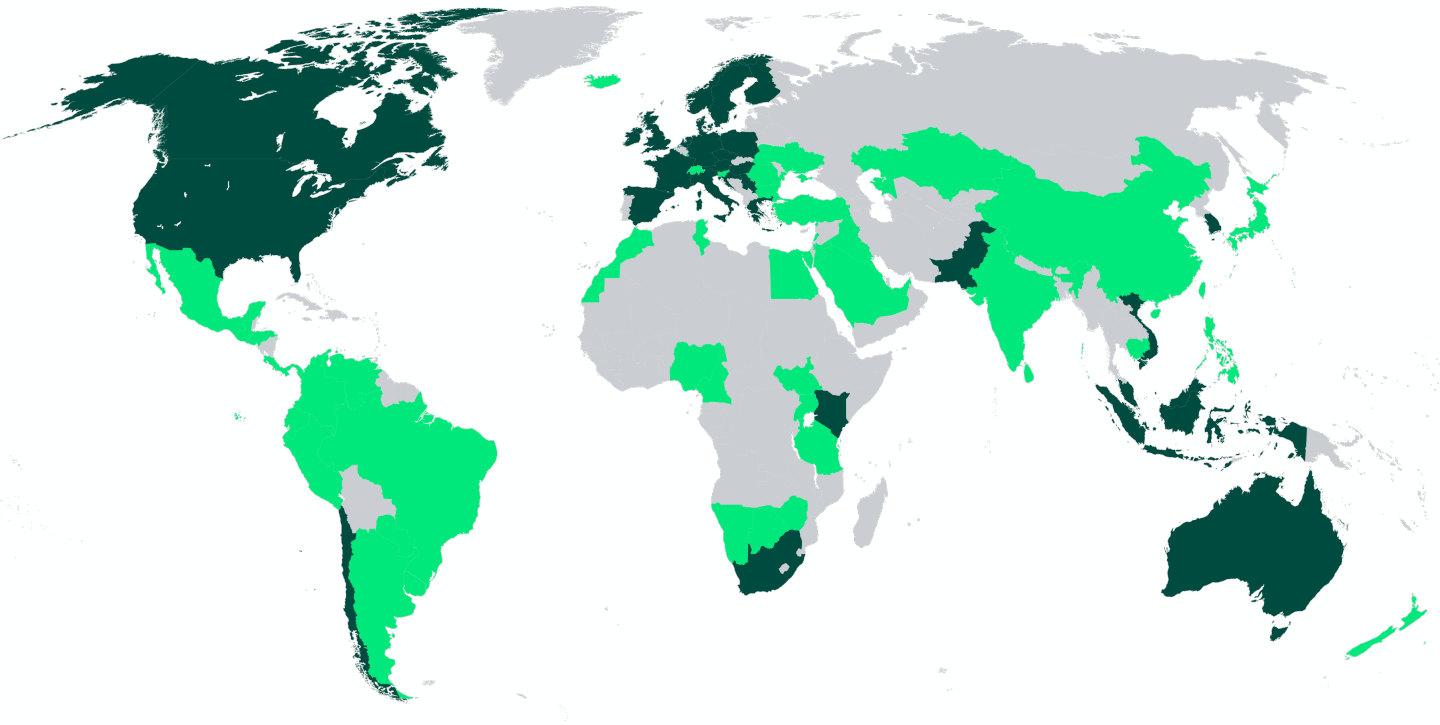
## Verify

Schemes verifying claims, plans or project impacts along defined metrics either at the entity or asset level. Third-party verification enhances accountability and can shorten robust due diligence processes.

Verification of an asset can be holistic at the design stage (construction, renovation or re-development) with **metrics to reduce embodied and operational carbon**, material use and waste, and enhance durability and adaptability of an asset.

Once a building is in use, performance based verification can be used, for example, through **checking real energy performance over time compared to carbon targets**.

# WorldGBC Sustainable Finance Taskforce



 Green Building Council (GBC) global network

 GBCs on Sustainable Finance Taskforce

## About us

The World Green Building Council (WorldGBC) is the largest and most influential local-regional-global action network, leading the transformation to sustainable and decarbonised built environments for everyone, everywhere.

Together, with over 75 Green Building Councils and industry partners from all around the world, we are driving systemic changes to the built environment.

WorldGBC's Sustainable Finance Taskforce aims to unlock finance flows into the transition towards a sustainable built environment.

The WorldGBC network enhances consensus and collective learning from across the value chain on key sustainable finance regulation, builds capacities amongst the industry and advocates for an ambitious yet practically implementable regulatory framework.

WorldGBC's Sustainable Finance Taskforce is sponsored by:

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