POSITIVE IMPACT INITIATIVE

A new business and financing paradigm for the achievement of the SDGs

Positive Impact Investment in Real Estate Discussion Paper

UNEP FI Property Working Group
in collaboration with RICS, Global Investor Coalition, and PRI

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ABOUT THE UNITED NATIONS ENVIRONMENT FINANCE INITIATIVE

United Nations Environment – Finance Initiative (UNEP FI) is a partnership between United Nations Environment and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. More than 200 financial institutions, including banks, insurers, and investors, work with UN Environment to understand today's environmental, social and governance challenges, why they matter to finance, and how to actively participate in addressing them. UNEP FI members are signatories to a statement on sustainable development – a commitment to the integration of environmental and social considerations into all aspects of their operations.

UNEP FI's work also includes a strong focus on policy – by fomenting country-level dialogues between finance practitioners, supervisors, regulators and policy-makers, and, at the international level, by promoting financial sector involvement in processes such as the global climate negotiations. UNEP FI acts as a bridge between policy, regulation and practice to bring systemic change to the finance sector and sustainable finance to scale.

THE UNEP FI PROPERTY WORKING GROUP

The UNEP FI Property Working Group (PWG) is a collection of more than 25 institutional investors, asset managers, and commercial banks committed to enhancing property value by reducing the sector's energy and resource consumption and greenhouse gas emissions, addressing occupant health and wellbeing, and improving the physical and social environments where its assets lie. It works to:

- drive innovation in Responsible Property Investment (RPI) by facilitating access to relevant information and best practice and collaboratively develop the necessary tools to enable property investors and professionals to systematically apply and integrate ESG criteria into investment and lending decisions;
- promote and encourage RPI by collecting and providing evidence to show how it can protect or increase financial performance throughout the lifecycle of buildings while simultaneously reducing detrimental environmental and social impacts; and
- collaborate with policy-makers and the real estate investment community on developing and establishing the appropriate policy and regulatory frameworks for RPI practices to grow.

The Property Working Group is co-chaired by Tatiana Bosteels (Director – RPI & Sustainability, Hermes Investment Management) and Anna Murray (Vice President, Sustainability, Bentall Kennedy). More information on PWG members, activities, and recent publications can be found at: http://www.unepfi.org/investment/property/

COLLABORATORS

On this - and many other projects – UNEP FI PWG works with a group of liked minded investor organisations including the Royal Institution of Chartered Surveyors (RICS), the Principles for Responsible Investment (PRI), and the Global Investor Coalition made up of Institutional Investors Group on Climate Change (IIGCC), Investor Group on Climate Change (IGCC), Asia Investor Group on Climate Change (AIGCC), and Ceres Investor Network on Climate Risk and Sustainability. It is through the collective knowledge and institutional reach brought together through such partnerships that best practices and market shifts can accelerate.

About the **Asia Investor Group on Climate Change.**
AIGCC is an initiative to create awareness among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC provides capacity for investors to share best practice and to collaborate on

investment activity, credit analysis, risk management, engagement and policy. For more information, see http://aigcc.net/

About **CERES Investor Network on Climate Risks**.
The Investor Network on Climate Risk (INCR) is a North America focused network of institutional investors dedicated to addressing the financial risks and investment opportunities posed by climate change and other sustainability challenges. INCR currently has more than 150 members representing over $24 trillion in assets. INCR is a project of Ceres, a non-profit advocate for sustainability leadership that mobilizes investors, companies and public interest groups to accelerate and expand the adoption of sustainable business practices and solutions to build a healthy global economy. For more information, see www.ceres.org

About the **Investor Group on Climate Change.**
IGCC is a collaboration of 60 institutional investors and advisors, managing over $1 trillion and focusing on the impact that climate change has on the financial value of investments in Australasia. The IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change, for the ultimate benefit of superannuate and unit holders. One of IGCC's streams of work is focussed on climate change risk and opportunities in the built environment, as well as considerations around climate change adaptation and resilience. For more information, see www.igcc.org.au

About the **Institutional Investors Group on Climate Change**.
The Institutional Investors Group on Climate Change (IIGCC), is the pre-eminent European forum for investor collaboration on climate action and the voice of investors taking action for a prosperous, low carbon, future. It has 153 mainly mainstream investors across 12 countries with over €21 trillion assets under management (including nine of the top ten largest European pension funds or asset managers). IIGCC's mission is to mobilise capital for the low carbon transition by working with business, policy makers and investors to encourage public policies, investment practices and corporate behaviours that will address the long-term risks and opportunities associated with climate change. Members consider it a fiduciary duty to ensure stranded asset risk or other losses from climate change are minimised and that opportunities presented by the transition to a low carbon economy – such as renewable energy, new technologies and energy efficiency – are maximised. For more information, see www.iigcc.org and @iigccnews

About the **Principles for Responsible Investment (PRI).**
The PRI works with its international network of institutional investor signatories to put the six Principles for Responsible Investment into practice. Its goal is to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and stewardship decisions. The six Principles were developed by investors and are supported by the UN. There are nearly 2,000 signatories from over 50 countries representing US $ 81.7 trillion of assets (as of April 2018). The six Principles are voluntary and aspirational, offering a menu of possible actions for incorporating ESG issues into investment practices. In implementing the Principles, signatories contribute to developing a more sustainable global financial system. For more information, see www.unpri.org
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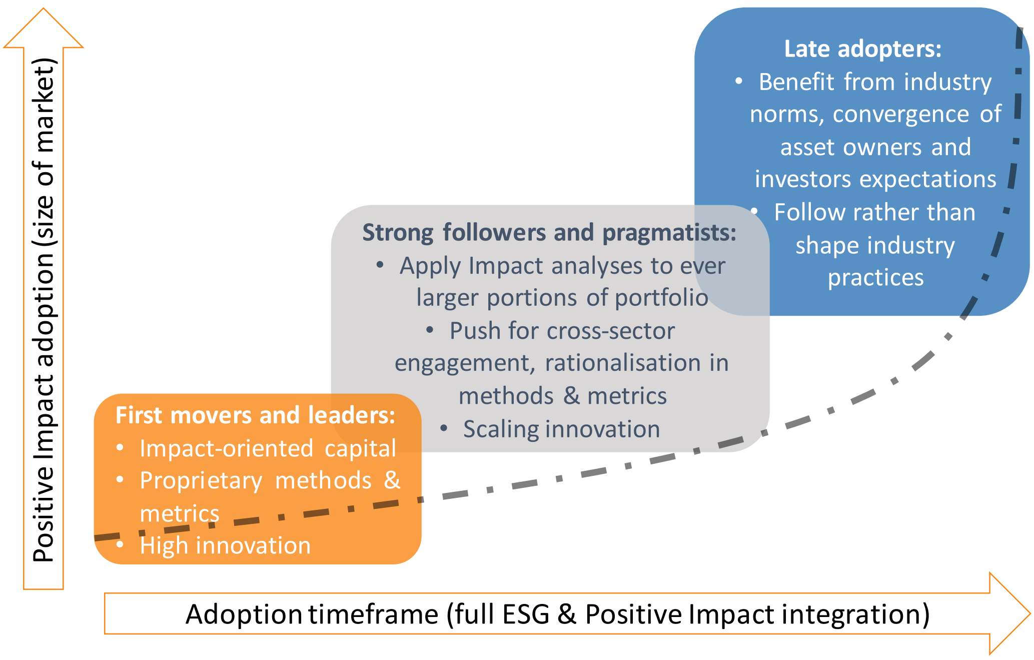
About the **Royal Institution of Chartered Surveyors (RICS).**
RICS promotes and enforces the highest professional qualifications and standards in the development and management of land, real estate, construction and infrastructure. RICS' name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change. RICS professionals' expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. For more information, see www.rics.org

EXECUTIVE SUMMARY

As part of the Positive Impact Initiative, the Property Working Group and its partner organisations are in the process of developing investor resources for Positive Impact real estate products. **This discussion paper was produced to engage with stakeholders and generate feedback as part of this process towards a practical framework for implementation of the Positive Impact Principles (PI Principles). It is targeted at real estate asset owners, asset managers and investment advisors.**

The Positive Impact approach seeks to support real asset investors and managers in deepening the practice of ESG integration so that measurable environmental, economic and societal impacts are identified and measured ex-ante and ex-post independently of financial materiality (though the two might overlap). In addition, it seeks to contribute to investment solutions in underserved markets where governments and public institutions are increasingly looking to private sources for finance. Positive Impact seeks a change in how individual institutions and collectively the whole of the finance sector creates financial, societal and environmental benefits. Moving up the impact-based approach adoption curve is both a change in mindset from investors and a process of developing skills and capacity.

FIGURE 0.1: POSITIVE IMPACT ADOPTION CURVE (INVESTMENT SECTOR)



Source: Authors (informed by The UK National Advisory Board on Impact Investing)

The discussion paper is structured around two main sections, and includes references to available resources that may inform the development of the framework and contribute to applying the PI Principles:

- A review of Real Estate impact case studies
- Investment Objectives as action oriented framework

A review of Real Estate impact case studies

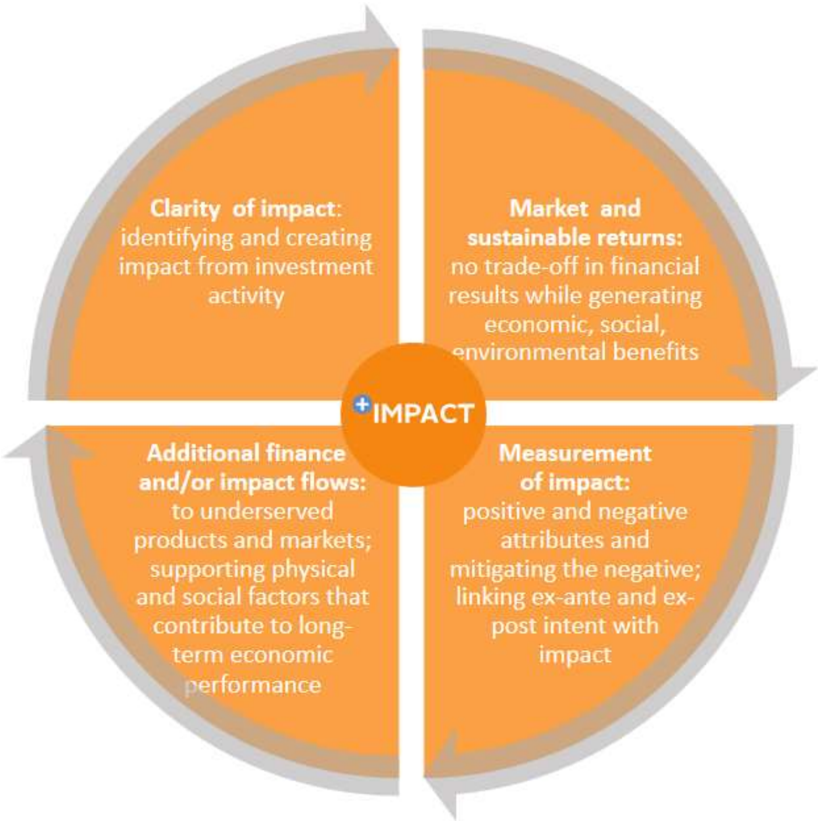
A call for case studies was made to get a pragmatic perspective on what it means to implement Positive Impact in real estate investment today. The intent is to learn from leading practices (project/individual assets to funds) that identify, monitor and measure the environmental and/or social and/or developmental (positive and negative) impacts generated by real estate investments. These can help show the alignment between present practices and the Positive Impact Principles.

The case studies findings support the need for transparency in the methods and measures used so that stakeholders can assess the quality and comparability of outputs from investment activities. It highlights that an impact-based approach can be facilitated by agreeing a common reference for impact categories that investors positively or negatively influence through their activities. Importantly, across the board, measuring negative impacts of investment activities is weakest in most case studies and has yet to be substantively integrated to most institutions' assessment practices.

Investment objectives as action oriented framework

To move the Positive Impact Principles into an action-oriented framework (i.e., action steps to be taken by practitioners and results sought at each stage of the property investment cycle), this paper proposes a set of Investment Objectives (see Figure 0.2) – **Clarity of impact, Market and sustainable returns, Measurement of impact, and Additionality of finance and / or impacts –** which investors and asset managers can use as guideposts for applying the Principles. They can be used as a diagnostic and management tool to sharpen investors' theory of change and to move real investments along the positive impact adoption pathway. These objectives complement existing ESG integration processes but could go further in their reach. In this paper, they are also used as headings in an outline an investment framework.

FIGURE 0.2: POSITIVE IMPACT INVESTMENT OBJECTIVES



Source: Authors

The Investment Objectives are presented as guiding questions against which actions can be matched and moves from investment thesis (clarity of impact); to investment outputs (market and sustainable returns; measurement of impact); to hoped-for outcomes (additional finance / impact flows).

The Investment Objectives can be used as a structuring device for a Positive Impact Real Estate Investment Framework to orient decision-making at each stage of the investment chain. This is outlined in Table 0.1 below. Similar to the PWG's and collaborating partners' 2016 publication *'Sustainable Real Estate Investment Framework: Implementing the Paris climate* *agreement – An action Framework*'[1], the Positive Impact framework will offer *'should'* and *'could'* actions to be taken by different value chain participants at each step of the investment process and resource references to support implementation.

The Framework elements are grouped by:

Investment thesis:	Focus on holistic impacts first (what benefits are sought, what negatives need to be mitigated), and generate investment themes and opportunities to match
Outputs:	The capital investment results (project or portfolio), and the measured positive and negative impact generated or mitigated
Outcomes:	Progress steps and shifts in institutional and societal sustainability

TABLE 0.1: OUTLINE FRAMEWORK - POSITIVE IMPACT INVESTMENTS IN REAL ESTATE (PROVISIONAL)*

	Investment Objectives	Clarity of impact	Market and sustainable returns	Measurement of impact	Additional finance and /or impact
		(difference between Asset Owner and Asset Manager control/actions to be included)			
Investment Process	Strategy & Fundraising	e.g., analyse current investment strategies positive and negative impact characteristics across GHG, health, labour, resources use, etc.	e.g., establish investment themes based on positive and negative impacts	e.g., determine related metrics (e.g., GHG boundaries, scope), establish baseline and targets	e.g., increase financial flow and investment themes beyond business as usual, such as impact themes addressed or geographical coverage
	Alignment / Selection	e.g., mandates to include impact-based factors	e.g., management contracts tied to impact performance	e.g., determination of remuneration metrics for impacts achieved	e.g., mandates to cover broader impact themes and finance flows
	Execution: *Development / Acquisition Management Exit*	e.g., create asset strategy tied to impact investment themes (e.g., creation of a 'net-zero' building fund for core commercial and institutional office; creation of a social housing focused fund)	e.g., re-adjust buy/hold/sell criteria, capital planning (e.g., existing assets for upgrade versus ground-up development)	e.g., use of enhanced analytics across all impact themes	e.g., increase in capital spend on 'impact-based' technologies and services (e.g. building integrated renewable energy)
	Monitoring & Reporting	e.g., define ex-ante impact targets, set science-based targets	e.g., implement owner and tenant protocols for data collection and increase in reporting frequency	e.g., third-party verification of in-use / operating data and across all positive and negative impacts	e.g., monitoring to capture extended supply chain impacts
	Market Engagement	e.g., influence governments with regard to improved regulatory measures to raise standards across the sector	e.g., commission research on financial value of impact metrics	e.g., support emergence of third party verified benchmark	e.g., engage with policy makers on blended finance instruments to serve high-risk markets

* Cell contents are simplified examples of either 'could' or 'should' actions and indicative resulting measures. No differentiation between Asset Owner and Asset Manager control/actions is made here - though this is intended in the to be completed framework.

[1] See: http://www.unepfi.org/fileadmin/documents/SustainableRealEstateInvestment.pdf

Source: Authors (as informed by Sustainable Real Estate Investment: Implementing the Paris Climate Agreement: An Action Framework (2016))

This paper includes a series of discussion questions to generate critical comments and constructive criticisms from real estate practitioners on the usefulness and relevance of the Investment Objectives. They are also an outline framework for helping understand how to practically implement an impact-based approach in their investment activities. The questions also aim to identify any gaps or missing elements for actions that might have been omitted.

The presentation of the Investment Objectives and the outline framework are part of a collaborative engagement process with industry practitioners. Based on feedback received, the Investment Objectives can be used to assess the case studies, that is, reviewing the cases to the extent they demonstrate clarity of impact; market and sustainable returns; measurement of impact; and additional finance and/or impact flows.

Comments received will feed into the development of a user-friendly and effective Real Estate Investment Framework and accompanying guidance intended for year-end 2018. Its delivery will not signal a fully finished product, but rather a flexible document that can be added to over time – particularly as information builds on detailed methodologies and/or tools used by practitioners and shared within the group of participating institutions in this initiative.

Respondents are asked to please consider the following **discussion questions** (see respective sections throughout the document), though UNEP FI welcomes any feedback offered. Any comments on this document can be appended to the table below and sent to matthew.ulterino@un.org.

1. As finance institutions orient themselves on the adoption curve for applying an impact-based approach, what are some of the key challenges they will need to manage within their institutions? This could range from capacity of internal resources, access to proprietary or sector-accepted methodologies, investor and investee relations (building the business case), and more.
2. Acknowledging the good work done on ESG integration and beyond, there are still significant gaps in market practices with regards to executing an impact-based approach. Based on the case studies summarised in Appendix A, what do you see as the key insights and lessons (strengths and gaps towards impact-based investing) in relation to these case studies? Are there specific methodologies and metrics referenced in the case studies you see as particularly meaningful and wish to see further elaborated upon?
3. Are the Investment Objectives useful as framing questions for action so that an impact-based approach can be operationalised? i.e. • how do I determine and pronounce clarity of impact? • do investments deliver market and sustainable returns? • have I measured ex-ante and ex-post impacts? • has this approach enabled my institution to go beyond a 'business as usual' trajectory - has it yielded impact and finance flows which otherwise would not have been delivered?
4. Are the Investment Objectives understandable and meaningful to both asset owners and asset managers?

5. Is it possible and useful for real estate investors to create identifiable and agreed investment themes that cover pre-defined impact areas specific to the real estate investment sector?
6. Can you identify resources that are focused on impact identification for the real estate sector? Of these, do they contain gaps that an impact-based approach as outlined in this paper can address?
7. This paper introduces a proposed 'impact categorisation approach' (i.e., a process of identifying a common reference for impact categories that they can use to screen based on materiality assessment, the negative and positive impacts across the three pillars of sustainable development). Would this offer benefits in setting metrics and indicators and improve comparability between investments and products?
8. In which ways do you presently see the market valuing an impact based approach, e.g., in market demand, risk reduction, reputation, or new financing opportunities? (This may be either anecdotal or quantitative.)
9. Do certain impact themes and markets appear as particularly challenging for which public private partnerships can accelerate market activity?
10. Do you feel that current methodologies and tools for measuring impact for economic, societal and environmental benefits are sufficient to create alignment with the Positive Impact Principles (e.g., measuring positive and negative and mitigating negative impacts; appropriate transparency)? Are there methodological challenges that need further attention?
11. Is 'additionality' in finance (markets) and in impact (thematic) something that investors can objectively measure, either relative to institutions or absolute to the sector?
12. What sort of resources or support, if any, would be useful to property investors for identifying underserved / undercapitalised impact themes or markets?
13. Does the Investment Objective outline framework match in outline with the real estate investment cycle? Do you see any missing gaps that need addressing in the investment cycle?
14. How should the framework be structured so that differences between asset owners and asset managers are effectively captured (that is, can the Investment Objectives be segmented between owners and managers)? What about for different property types?
15. Do you have your own impact framework that can be shared (publicly or within UNEP FI's Property Working Group and its collaborators)?

1. ALIGNING INDUSTRY PRACTICES WITH THE POSITIVE IMPACT PRINCIPLES

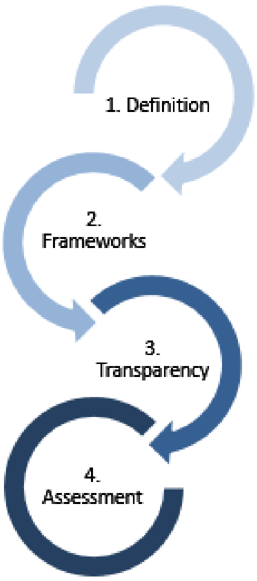
1.1 THE POSITIVE IMPACT INITIATIVE

The Positive Impact Initiative brings together banks, investors, corporations and governments to co-create commercially viable, impact-based solutions to the Sustainable Development Goals (SDGs). According to the United Nations, $5-7 trillion are needed each year to meet the SDGs worldwide by 2030, to address needs in infrastructure, access to energy, water and healthcare. In low and middle-income countries particularly, the greater part of the necessary financing will need to come from private finance.

The Initiative is promoting the idea that new lines of business and impact business models need to be developed and financed to meet the SDGs. By doing so, businesses and finance institutions can step up their positive impact on the economy, society and the environment, and thus actively participate in bridging the financing gap for sustainable development.

In support of this, the Principles for Positive Impact Finance were launched in early 2017 by 19 leading banks and investors totalling $6.6 trillion in assets[2]. The Positive Impact Principles, as shown in Figure 1.1 below, require a holistic approach: appraisal of both positive and negative impacts, consideration of all three dimensions economy, society and environment, and transparency and assessment of methodologies and impact achieved as a core requirement.

FIGURE 1.1: POSITIVE IMPACT PRINCIPLES



1. Definition	Positive Impact Finance = • positive contribution to one or more of the three pillars of sustainable development • potential negative impacts to any of the three pillars duly identified and addressed
2. Frameworks	Processes, methodologies and tools to identify and monitor positive impact
3. Transparency	• Activities, projects, programs, and/or entities financed & intended positive impacts thereof • Processes to determine eligibility, and to monitor and to verify impacts • Impacts achieved
4. Assessment	Should be based on impacts achieved

Source: UNEP FI

The Positive Impact Principles are intended for use by all segments of the finance sector. Positive Impact does not replace other existing principles or available frameworks (e.g., the Equator Principles, the Principles for Responsible Investment, Green Bond Principles, etc.) These or others focus on specific issue areas (e.g. climate change) or on specific segments of the market (e.g. project finance), whereas some can be considered building blocks for

[2] As at Q1 2018, the Positive Impact initiative is made up of the following UNEP FI members: ABN AMRO, Australian Ethical, Aviva, BNP Paribas, BMCE Bank of Africa, Caisse des Dépôts Group, Desjardins Group, First Rand, Hermes Investment Management, ING, Itaú Unibanco, Mirova, NAB, Nedbank, Pax World, Piraeus Bank, SEB, Société Générale, Standard Bank, Tawreeq Holdings, Triodos Bank, Westpac and YES Bank.

impact-based approaches and Positive Impact finance. More information on Positive Impact's relationship to other market initiatives can be found at the UNEP FI website.

UNEP FI has established four Working Groups (WG) to advance the Positive Impact Initiative:

- WG1. Frameworks;
- WG2. Impact categories & Indicators;
- WG3. Assessment; and
- WG4. Engagement & Solution-building.

The Property Working Group and its partner organisations are active in WG1. Frameworks for developing investor resources for Positive Impact specific to real estate. This is concurrent with activities from the UNEP FI membership focused on frameworks for other asset classes.

1.2. The Rationale for Investors

GUIDING QUESTIONS
1. As finance institutions orient themselves on the adoption curve for applying an impact-based approach, what are some of the key challenges they will need to manage within their institutions? This could range from capacity of internal resources, access to proprietary or sector-accepted methodologies, investor and investee relations (building the business case), and more.

It is increasingly well established in finance markets worldwide that failing to consider long-term investment value drivers and risks including environmental, social and governance (ESG) issues in investment decision making processes is a failure of fiduciary duty[3]. ESG integration – that is, the systematic and explicit inclusion of ESG factors into investment analysis and investment decision – can be captured in a number of ways.

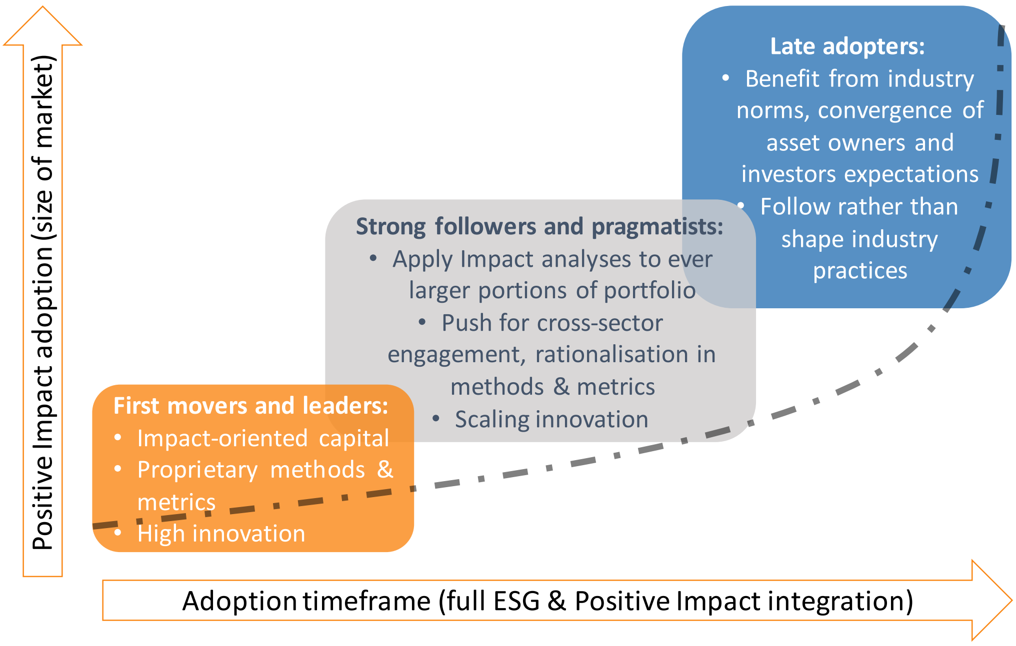
The Positive Impact approach seeks to deepen the practice of ESG integration so that measurable environmental, economic and societal impacts are identified and measured ex-ante and ex-post independently of financial materiality (though the two might overlap). In addition, it seeks to contribute to investment solutions in underserved markets where governments and public institutions are increasingly looking to private sources for finance.

It is intended that the Positive Impact approach applies to all investment activities within institutions. Reaching this end-point is a process that is presently in its early stages. Institutions will be subject to learning curves in building skills and capacity internally for an impact-based approach and for improved alignment between asset owners, asset managers, and others within the investment value chain. Analogously, for the industry as whole, as illustrated in Figure 1.2, early adopters and close followers will offer proof of concept and then generate momentum and acceptance from the mainstream[4].

[3] Fiduciary Duty in the 21st Century, www.fiduciaryduty21.org

[4] The UK National Advisory Board on Impact Investing in its report "The rise of impact: Five steps towards an inclusive and sustainable economy" (October 2017) lists five stages the industry follows before reaching a tipping point: Innovators; Visionaries; Pragmatists; Conservatives; and Laggards. It suggests the industry is moving into the Pragmatist stages, with an early majority operating in the impact investment sector and where market scale and institutional credibility take root.

FIGURE 1.2: POSITIVE IMPACT ADOPTION CURVE: INVESTMENT SECTOR (MARKET SIZE AND TIMEFRAMES ARE INDICATIVE ONLY)



Source: Authors (informed by The UK National Advisory Board on Impact Investing)

Moving up the impact-based approach adoption curve is both a change in mindset from investors and a process of developing skills and capacity. A framework to help guide investors with actions that help implement that change could facilitate such a change in the industry. Developing and utilising such frameworks, and seeding the market through Positive Impact products and investments that initially are a sub-set of an investors' overall portfolio, allows for 'learning by doing' and supportive resources to emerge (e.g., positive and negative assessment methodologies, external verification providers, etc.).

Positive Impact can also respond to market appetite for labelled products and investments that generate financial and positive outcomes to society, the environment and the economy. The growth in the Green Bonds market is instructive, where capital pools wishing to profit from the low-carbon transition are matched with finance instruments that can propel that transition, supported by standards from which third-party opinions and assurances can be issued[5]. While UNEP FI does not seek to create nor manage a specific Positive Impact label, applying the Positive Impact Principles may similarly accelerate the creation of financial instruments or products which are holistic across multiple sustainability considerations.

Investors can support and operationalise the Positive Impact Principles by

- signalling preference for Positive Impact products and instruments;
- engaging with investee companies on Positive Impact business models and strategy
- screening portfolios and allocating capital towards Positive Impact companies and activities;
- growing new or under-supplied capital markets; and
- engaging with public entities and policy makers to help scale up Positive Impact finance and business models.

[5] See the Climate Bonds Initiative for more information: https://www.climatebonds.net/

1.3 INVESTOR CASE STUDIES: PROGRESS ON THE POSITIVE IMPACT ADOPTION CURVE

GUIDING QUESTIONS
2. Acknowledging the good work done on ESG integration and beyond, there are still significant gaps in market practices with regards to executing an impact-based approach. Based on the case studies summarised in Appendix A, what do you see as the key insights and lessons (strengths and gaps towards impact-based investing) in relation to these case studies? Are there specific methodologies and metrics referenced in the case studies you see as particularly meaningful and wish to see further elaborated upon?

Case studies can help show the alignment between present practices and the Positive Impact Principles and give examples of where institutions are positioned along the 'adoption curve' pathway. The intent is to learn from leading institutions and good practice that identify, monitor and measure the environmental and/or social and/or developmental impacts (positive and negative) generated by real estate investments; and overt alignment between financial and impact goals.

To that end, a call for contributions to this paper was issued yielding 10 case studies from nine leading companies. The examples cut across direct investment (projects or funds, including single-asset); portfolio or corporate strategy; finance instruments; and industry engagement. The variety of case studies received show the range of industry views on how the Positive Impact approach can be applied.

In gathering the case studies, it is recognised that projects or strategies reflect more about the sponsor's adopted processes and methods/tools than being strictly informed by the Positive Impact Principles. The expectation was not to receive studies fully compliant with them. However, they can help illustrate the distance between current best practices and the end-goal of impact-based investing. In addition, the case studies offer perspectives on how present practitioner activities and methodologies fit within or can be progressively aligned to a positive impact investment framework.

A template was provided to respondents so as to generate consistent and comparable information. From this, a basic assessment was made of the extent to which responding organisations follow the four Positive Impact Principles. This assessment is summarised in Appendix A: Case studies

Through the assessment of the case studies and discussions with stakeholders, a number of lessons or themes have emerged in relation to moving towards an impact-based, principally around

- identifying positive and negative impacts across all three sustainability realms (economic, social, environmental);
- in undertaking ex-ante and ex-post measurements; and
- in framing investments to address the SDGs around holistic impacts rather than sector targeting.

Specific findings include:

1) The case studies range across a mix of institutional strategies to project/fund-level transactions. This could demonstrate different entry points for investors in developing and applying an impact-based approach, e.g., 'top down' from an institutional strategy (clearly articulated goals, investment and management processes, reporting, etc.) which then results in impact-based investments on the strength of these; or 'bottom up' where funds or investments that are explicit in their extra-financial aims are part of a capacity-building process to improve skills and demonstrate value enhancement to stakeholders, i.e.,

learning by doing until a critical mass is reached so that it becomes part of the institution's 'DNA'.

2) Investors seeking to create sustainability benefits and measure and report them are demonstrating that in-depth and rigorous processes and resources (internally or externally sourced) are available and an important part of institutional practices. The range of those available and utilised in the case studies supports the need for transparency in the methods and measures used so that stakeholders can assess the quality and comparability of outputs.
3) Following from above, the processes and resources appear largely restricted to positive benefits. Measuring negative impacts of investment activities is the weakest point of the case studies. This may partly be a result of the ways in which negative impacts are at least partially captured through statutory processes in mature markets, i.e., requirements for environmental or social impact assessments during project planning and impact mitigation as a condition of development approval.
4) Related to the above, producing more holistic impact assessments for both positive economic, societal and environmental benefits – as well as identifying negative impacts in these three pillars and mitigating those, not just identifying positive benefits such as efficiency gains, waste reduction, etc. – does present methodological challenges that need further attention. This is particularly the case in management of existing assets as opposed to new development.
5) The case studies and other discussions with practitioners suggest that social impact assessments are desired by asset owners, asset managers, and other stakeholders, but difficult to produce. They can be characterised as having a level of subjectivity which makes comparisons difficult.
6) The Sustainable Development Goals are growing in recognition and appeal to many practitioners as effective for framing intent and measuring impact of their investments. Many SDG-related frameworks that presently start with the investment objective in sectoral terms (e.g., resource efficient buildings, affordable/low-cost housing, health and care facilities, etc.), rather than impact analysis. To be consistent with the Positive Impact Principles, SDGs framing should rather be based on an analysis of investor impact firstly (positive and negative) and consideration of impacts sought by the investor (what it can influence through which types of products and activities), and then matched impact-oriented investments with the related Sustainable Development Goals.
7) For many institutions, the Positive Impact approach to investment can be partly thought of as a change in mindset, i.e., thinking in terms of impacts sought rather than sectors targeted at the outset of investment identification / decision-making, and relating business value and investor returns to larger social, socio-economic, and/or environmental trends and supporting conditions that are presently marginally accounted for. This change in mindset may help in identifying business opportunities and market segments that may be undercapitalised or typically overlooked.
8) Understanding baselines (reference cases) and determining the additionality in finance or impact from that (moving beyond what would have happened anyway) is complex and could benefit from agreement on appropriate methodologies.

2. INVESTMENT OBJECTIVES AS AN ACTION ORIENTED FRAMEWORK

2.1. GUIDANCE FOR IMPACT-BASED INVESTMENT DECISIONS

GUIDING QUESTIONS
3. Are the Investment Objectives useful as framing questions for action so that an impact-based approach can be operationalised? i.e. • how do I determine and pronounce clarity of impact? • do investments deliver market and sustainable returns? • have I measured ex-ante and ex-post impacts? • has this approach enabled my institution to go beyond a 'business as usual' trajectory - has it yielded impact and finance flows which otherwise would not have been delivered? 4. Are the Investment Objectives understandable and meaningful to both asset owners and asset managers?

The Positive Impact Principles lay out requirements for investors, namely:

- financed activity and/or business must contribute positively to one or more of the three pillars of sustainable development (environmental, social and economic) while ensuring that negative impacts are identified and addressed across all three; and
- the frameworks, methods and tools used to identify and assess intention and impact, and the measuring and reporting of impact achieved, must be transparent.

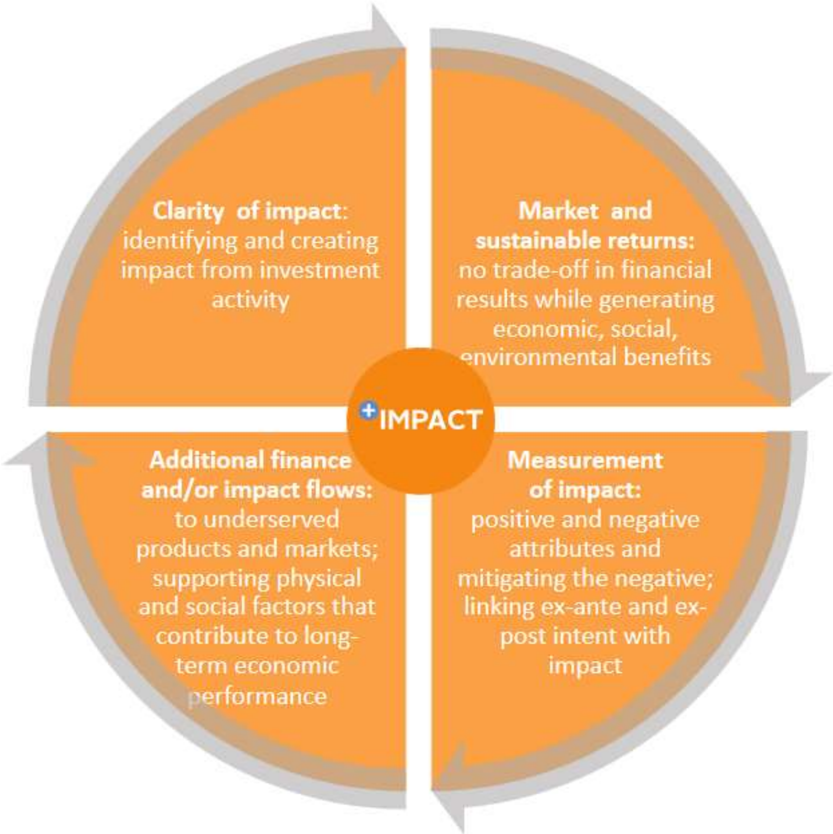
The goal of the Property Working Group and collaborating partners to create a framework and accompanying guidance for real estate investments that is aligned with the Principles and that support decision-making at the institution and fund/asset level. Four action-oriented **investor objectives** are proposed which take a step down in level of detail from the Positive Impact Principles and that can guide which actions can be implemented at each stage of the property investment cycle. The case studies demonstrate some of the resources available to industry that can become part of this guidance, though gaps remain in areas such as positive assessments (identifying and mitigating negative impacts), agreed metrics (particularly in social impact measurement), and more.

These objectives build on existing ESG integration processes but go further in their reach. They offer a way for institutions to frame decision-making for more immediate term investment activities and longer-term aspirations that derive from the Positive Impact's holistic and impact-based approach. This approach can inform investors' theory of change to move up along the positive impact adoption pathway. As shown in Figure 2.1 below, moving clockwise from the top left circle, they suggest a logical progression from:

1. investment thesis or premise (clarity of impact);
2. to outputs (market and sustainable returns), and measurement of impact), and
3. outcomes (additionality in finance and impact)[6]

[6] For the purposes of reading this paper, **outputs** are the tangible result of an investment, e.g., investment into a property type or specific asset, and co-benefits, e.g., an efficiency upgrade, employment generated and skill trainings delivered, etc. **Outcomes** are the hoped-for changes and benefits from the outputs: cleaner air, reduced emissions, safe environments, equitable cities, etc. These might also be thought of as the difference between micro and macro results. (Different organisations and information sources may use outcomes and outputs interchangeably or provide alternative definitions.)

FIGURE 2.1: POSITIVE IMPACT INVESTMENT OBJECTIVES



Source: Authors

The objectives link to the core motivation at the centre (positive impact), and there is a degree of overlap and inseparability. Depending on where an institution see itself on the adoption curve, not each objective may be uniformly achieved, but all can be considered to some degree no matter their position.

The sections below describe these investment objectives more fully, noting that each investment objectives captures one or more Principle as shown below.

	1 Definition	2 Frameworks	3 Transparency	4 Assessment
Clarity of impact	✓	✓	✓	✓
Market & sustainable returns	✓	✓		
Measurement of impact		✓	✓	✓
Addl. finance and/or impact flows	✓		✓	✓

Examples of relevant frameworks, protocols or metrics that can act as supporting tools in implementing the objectives - drawn from a (non-exhaustive) literature review - are included in Appendix B. These examples are offered for their illustrative value for helping institutions put sustainable investment and business concepts to practice, and/or as resources available to practitioners to consider.

2.1.1. Clarity of Impact (*intentionality*)

GUIDING QUESTIONS
5. Is it possible and useful for real estate investors to create identifiable and agreed investment themes that cover pre-defined impact areas specific to the real estate investment sector?

6. Can you identify resources that are focused on impact identification for the real estate sector? Of these, do they contain gaps that an impact-based approach as outlined in this paper can address?
7. This paper introduces a proposed 'impact categorisation approach' (i.e., a process of identifying a common reference for impact categories that they can use to screen based on materiality assessment, the negative and positive impacts across the three pillars of sustainable development). Would this offer benefits in setting metrics and indicators and improve comparability between investments and products?

An impact-based approach implies that while some economic sectors have greater potential for positive impacts, no activity is exempt from potential negative impacts. Identifying early in the investment strategy process where investors have impact - *positive and negative* – can help investors clarify the financial, social and environmental outcomes they seek to create and the negative outcomes they need to mitigate. This broad analysis of the ways investments generate impact that affect the economy, society and environment may be missed in analyses of solely financial materiality.

A process for clarity of impact creates a progression of understanding impact potential, rather than a starting point of targeting specific asset types or sectors that might also deliver extra-financial benefits. It can compel institutions to move from a position of responding to passive catalysts (e.g., operating in markets with long-range sustainability policy goals or incentives) and ex-post reporting, to discerning social, socio-economic, and/or environmental needs and gains available from investment mandates and market position (*impact influence*), and seeking and executing investments in pursuit of them (*intentionality*).

Investors may further wish to frame impact influence within macro objectives such as the Sustainable Development Goals (SDGs) or the New Urban Agenda[7]. There are already several examples of individual institutions and industry collaborations doing so. Some move backwards from present investment activities to nominating which SDGs those investments contribute to. Others are a means to identify investment sectors as synonymous with individual SDGs (e.g., SDG 6 – clean water and sanitation, and SDG 7 – affordable and clean energy). Alternatively, an impact-based approach can reveal the interconnectedness of the SDGs and clarify investment themes and investor intent. By way of example, the Table 2.1 below provides a preliminary mapping relevant to the property sector, moving from areas of impact to investment themes (intent) to related SDGs (i.e., the extent to which property investment themes and the SDGs relate).

TABLE 2.1: PROPERTY IMPACT AND INVESTMENT THEMES AND RELATED SDGS

Impact themes *(positive and negative)*	**Investment themes (*investor intent*)**	**Related UN SDGs**
Climate change	Energy efficiency and clean energy	7 - Affordable and clean energy
		9 - Industry, innovation & infrastructure
		12 - Responsible consumption and production
		13 - Climate action
Livelihoods and wages	Labour conditions and skills development	4 - Quality education
		5 - Gender equality
		8 - Decent work and economic growth

[7] The New Urban Agenda provides agreement on a new model of urban development predicated on wide-ranging sustainable development features to ensure urban development is wholly consistent with equity, welfare and shared prosperity. More information can be found at: http://habitat3.org/ and in Appendix B: Reference Resources.

Impact themes ***(positive and negative)***	Investment themes **(*investor intent*)**	Related UN SDGs
		10 - Reduced inequalities
Shelter	Social / affordable housing	1 - No poverty
		10 - Reduced inequalities
		11 - Sustainable cities and communities
Community life	Urban regeneration (place making, community development, safety and equity, formal settlements)	3- Good health and well being
		6- Clean water and sanitation
		7- Affordable and clean energy
		9- Industry, innovation & infrastructure
		10- Reduced inequalities
		11- Sustainable cities and communities
Environmental conditions (built and natural environments)	Resource efficiency	6- Clean water and sanitation
		7- Affordable and clean energy
		12- Responsible consumption and production
		14 - Life below water
		15- Life on land
Health	Wellness and well-being	3 - Good health and well-being
		11- Sustainable cities and communities

Source: Authors. More information on the SDGS can be found at https://sustainabledevelopment.un.org/sdgs

As per the Positive Impact Principles, investor assessment of its impact and intent should be transparent - in both the processes or methods used, and the results generated. For the latter, the results will be impact themes targeted and an ex-ante assessment and targeting of positive impact sought and negative impact mitigated. This is linked to measurement of impact, further detailed in Section 2.1.3. Measurement of Impact

To support the clarity of impact objective, i.e., clearly identifying what impacts are addressable and sought, the Positive Impact initiative is in the process of developing a common reference for impact categories across the three pillars of sustainable development:

1. Human needs (Social Pillar / People);
2. Environmental conditions or constraints (Environmental Pillar / Planet); and
3. Economic development (Economic Pillar / Prosperity).

This is referred to as '**Impact Categorisation**'. The impact categories are to be universally viable, easily understandable and practicable in the market. This is a work in progress and intended as a potential framing tool for property investors (and other asset classes) to holistically assess the ways in which their activities create positive and negative effects before investment themes or sectors are selected. This impact categorisation work further applies to impact measurement as elaborated in 2.1.3. Measurement of Impact

A handful of other resources or frameworks available around impact or investment themes (with varying degrees of specificity to the real estate sector) that businesses could use to assess where their operations and investments contribute to a range of social, environmental and economic effects are referenced in Appendix B: Reference Resources.

2.1.2. Market and Sustainable Returns

GUIDING QUESTIONS
8. In which ways do you presently see the market valuing an impact based approach, e.g., in market demand, risk reduction, reputation, or new financing opportunities? (This may be either anecdotal or quantitative.) 9. Do certain impact themes and markets appear as particularly challenging for which public private partnerships can accelerate market activity?

The intent for Positive Impact is that it applies to all finance activities - not just a subset labelled as 'impact capital' that may be satisfied with below market returns. The goal is for Positive Impact to become integral to investors' fiduciary duty and embedded in investment processes and decision-making when selecting assets - building on and going beyond what ESG integration has become to practitioners today. In sum, Positive Impact is a foundation to create and maintain investor financial value and economic returns alongside economic development/prosperity and/or environmental and/or social benefits. No financial trade-off is implied, unless it is the investors' explicit intention to finance at sub-commercial market rate.[8]

Asset owners and managers should be clear on how their mandates and investment models deliver both market and sustainable returns, noting that the nature of the relationship between investor and investee will produce different leverages, access to data and thus ability to quantify returns, etc. This may vary depending on the product (e.g., a financing instrument, or fund, or specific asset directly invested and managed). Owners and managers will both need to clarify the tactics for how these returns are delivered (i.e., how the organisation is planning to achieve their impact intent). The tactic(s) creates a link between the clarity of purpose and actual practices (e.g., in engagement, in investment implementation, in exit strategy).

2.1.3. Measurement of Impact

GUIDING QUESTIONS
10. Do you feel that current methodologies and tools for measuring impact for economic, societal and environmental benefits are sufficient to create alignment with the Positive Impact Principles (e.g., measuring positive and negative and mitigating negative impacts; appropriate transparency)? Are there methodological challenges that need further attention?

Measurement should be based on investor clarity / intent (i.e., identifying impact and setting targets), and actual impacts achieved and mitigated in any of the three spheres of sustainable development. If the impact categorisation that occurs under the first investment objective sits at a higher level and is primarily ex-ante, there will need to be a process of relating these impacts to a more detailed level of **metrics and indicators** for ex-post assessment and reporting. Transparency requires the monitoring and reporting of the outcomes achieved to relevant stakeholders, as well as transparency on the methodologies used to measure impact. Ideally performance data and processes would be third party verified to increase trust and credibility.

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[8] A 2017 study of impact investing showed that risk-adjusted market rates of return are achievable in impact investing based on an analysis between impact and 'conventional' real asset funds in that the distribution of fund returns mirrored each other, though real estate showed more variability between the impact and conventional distribution. Smaller real estate impact funds (<$50 million) generated above average returns however compared to conventional funds of similar size. (*The Financial Performance of Real Assets Impact Investments: Introducing the Timber, Real Estate, and Infrastructure Impact Benchmarks*. The GIIN & Cambridge Associates, May 3, 2017.)

Matters of scope and boundaries will not be prescribed through the Positive Impact framework; rather, it will be up to users to make these selections clear[9]. Factors such as data availability, completeness and quality - both for inputs to measurements but also comparability between measurement - will be relevant. Developing metrics and methods to match the breadth of impact consideration of property investors (i.e., the impact on the built form and systems, natural environment, economic activity, and social arena) is complex and can benefit from a collective and iterative process of cataloguing, assessing and utilising, and shaping proprietary and industry-wide methodologies. Appendix B contains information on related activities and potential resources.

To link back to Section 2.1.1. Clarity of Impact (*intentionality*), it is possible to create indicators (and then supporting measurement methods) to measure impact as related to the SDGs that were shown to be captured by a property investor's investment themes. Table 2.2 below represents sample impact metrics (headlines only, non-exhaustive). The agreed precise metric would need to be developed as would guidance on the methodology. As an illustration it demonstrates the range of indicators that are possible.

TABLE 2.2: INVESTMENT THEMES AND INDICATIVE SDG INDICATORS FOR REAL ESTATE

Investment themes (*investor intent*)	**Related UN SDGs**	**Sample indicator (*to be made numerical/quantified*)***
Energy efficiency and clean energy	7 - Affordable and clean energy 9 - Industry, innovation & infrastructure 12 - Responsible consumption and production 13 - Climate action	• Watts of energy conserved (KWh) • Renewable energy generated (kWh) • Tons of CO2 emissions avoided • Urban infrastructure efficiency • Access to energy • Innovation - near zero energy buildings
Labour conditions and skills development	4 - Quality education 5 - Gender equality 8 - Decent work and economic growth 10 – Reduced inequalities	• Skills training provided • Training which led to certified skill • New education facilities • People accessing new education facilities • Jobs created • Prevailing / living wages
Social / affordable housing	1 - No poverty 10 - Reduced inequalities 11 - Sustainable cities and communities	• Units set aside for low income residents • Social housing units
Urban regeneration (place making, community development, safety and equity, formal settlements)	3- Good health and well being 6- Clean water and sanitation 7- Affordable and clean energy 9- Industry, innovation & infrastructure 10- Reduced inequalities	• Green certification (LEED, BREAM, etc.) • Urban infrastructure access – water, energy, waste and sanitation, transport, data and ICT • New urban infrastructure and efficiency metrics – water, energy, waste and sanitation, transport, data and ICT • Residents provided with social services

[9] Scope and boundary issues may relate to, for example: energy use and control (e.g., which party has primary responsibility, the tenant or owner) and related carbon emissions (Scope 1, 2, and 3); extent of spatial impact (the boundaries in which effects are felt moving from the property footprint beyond to the block or community); and extent of temporal impact (for the life of the investment or the life of the asset).

Investment themes (*investor intent*)	Related UN SDGs	Sample indicator (*to be made numerical/quantified*)*
	11- Sustainable cities and communities	• New public realm accessible to communities
Resource efficiency	6- Clean water and sanitation 7- Affordable and clean energy 12- Responsible consumption and production 14 - Life below water 15- Life on land	• Litres water saved • Bio-based, replenishable construction materials • Tons of CO2 emissions reduced • Nutrient pollution (runoff averted) • Coastal ecosystems maintained and improved • Biodiversity initiatives • New parks and green spaces • Green roof (area)
Wellness and well-being	3 - Good health and well-being 11- Sustainable cities and communities	• Health facilities and social care facilities (numbers; accessibility) • Residents provided with social services • Public realm accessible to communities • New parks and green spaces • Food security

* Note that the entries are headlines only and that indicators may appear in multiple investment themes. Numerical/quantified element needs to be provided for each heading. For example:

- quantification of social housing units could capture the number of units provided; sale or rental cost against affordability indicators (percentage of earnings used for housing expenses); level of public subsidy required if any to bring the units to market; etc.
- parks and open space reporting could capture area of parkland created; distance from homes or apartments of parkland (noting differences where apartment-type density necessitates more parkland and closer access than lower-density housing); etc.

Source: Authors

There are several other examples of stakeholder-led activities to develop SDG-themed metrics as well as actions from third-party institutions to address SDG measurement. These are not all specific to the property sector but may offer useful guidance on methodologies. For example:

- The GRI (Global Reporting Initiative) and UN Global Compact have developed "Business Reporting on the SDGs", an inventory of possible disclosures per SDG which can be qualitative and quantitative based on globally accepted disclosure frameworks for business.
- The Sustainable Finance Platform, a collaborative working group to promote sustainable finance chaired by De Nederlandsche Bank and involving multiple government, regulatory and trade groups in the Netherlands, has developed a set of SDG indicators as part of a methodology for pension funds, insurers and banks to measure their contribution to the SDGs, focusing on positive impacts.
- The UN Statistical Commission is developing the global indicator framework for the 17 SDGs and 169 targets. An Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs) has been formed for this, which has yielded agreement on a preliminary set of 232 indicators. They are macro-level measures for governments, though may offer reference points for how and/or ways in which property is meeting a particular SDG
- In Japan, a committee discussing SDGs for the construction industry was launched in early 2018, supported by The Ministry of Land, Infrastructure, Transport and Tourism. Committee members are from major Japanese construction firms, developers, and financial institutions, with the aim of creating a guideline on SDGs for the sector.

"The Impact-Based Approach in Practice: Impact Categories for Impact Analysis", UNEP FI (draft, to be released in full in 3rd Quarter 2018)

The current variety of indicators reflect the diversity of players in the finance sector and wider impact community. Indicators vary according to the needs of different corporate strategies, company sizes, geographic and sector focus of a given financing, etc. Their choice also depends on the capacity of financial institutions to access and analyse data on specific issues. The width and depth of indicators can be almost infinite hence the Positive Impact approach does not prescribe an exhaustive or rigid list of indicators. However, it expects a rigorous application of, and transparency on, indicators used in impact analysis.

Expected actions:

- Indicators determined for each impact category, to be used for a holistic impact assessment: across all categories, on the negative and positive sides;
- Avoidance, mitigation or addressing of potential and actual negative impacts: no trade-off between indicators within the same, or between different, categories;
- Transparency on the indicators used to analyse impacts against categories;
- Transparency on how adverse impacts have been mitigated and addressed;
- Transparency on the analysis leading to the conclusion that a product is PI;
- Gradual progress on the use of indicators, aiming for the highest standard with respect to developments for each category (the highest standard can be at international or national level);
- Indicators should be used as much as possible to assess the actual impact (expand notion of actual impact), to inform the impact-based finance structuration
- Where actual impact is difficult to assess, the analysis should be based on appropriate proxies and /or ex-ante indicators available in the market or provided by relevant research; an ex-ante analysis is in any case needed to inform the investment decision.

Flexible approach:

- Indicators source: to allow FIs to build on already available tools (ex. IRIS/GIIN, B-LAB, Toniic Guide, in-house development indicators, DFIs indicators, etc.);
- The level of granularity of indicators: indicators can be nuanced and developed to correspond as best as possible to a specific business need and context;
- The methodology to assess impact against indicators: depending on the combination of the impact category, specific financing activity, geographic context, the availability of data and appropriate means to use such data will differ. FIs are expected to combine a use of qualitative and quantitative data to arrive at a satisfactory analysis of 'actual' impacts or relevant proxies.

2.1.4. Additional finance and /or impact flows

GUIDING QUESTIONS
11. Is 'additionality' in finance (markets) and in impact (thematic) something that investors can objectively measure, either relative to institutions or absolute to the sector? 12. What sort of resources or support, if any, would be useful to property investors for identifying underserved / undercapitalised impact themes or markets?

Creating additional finance and/or impact flows from investment is a desired - but not strictly speaking a mandatory - outcome of applying the Positive Impact Principles. This objective helps to answer the question of whether the same finance or impact result would have otherwise been achieved[10].

An impact-based approach can support innovation in finance (e.g., impact-focused instruments) and impact (i.e., a wider and interconnected range of benefits). Positive Impact may thus produce a broadening of investor appetite in asset types/sub-sectors that have traditionally been overlooked. For example, engaging in new markets informed by the SDGs and/or addressing the underlying physical and social factors that contribute to long-term economic performance may become part of a diversification strategy. In practical terms, this could lead to a shift of invested capital within portfolios with greater geographic, end-market/property type and user, instrument and tenor, and exit diversity.

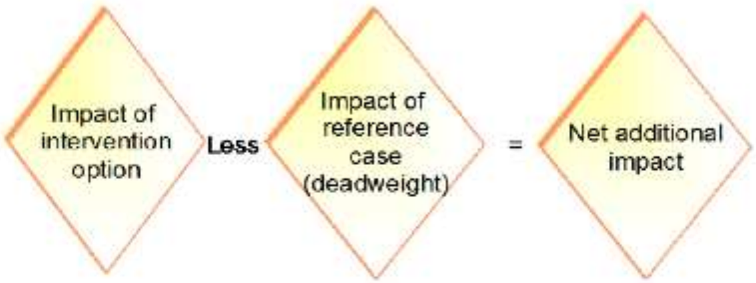
Additionality in finance and impact can be measured in several dimensions such as:

- scale (a greater quantity to presently served markets);
- new markets (serving sectors/sub-sectors undercapitalised);
- timing (an acceleration of the impact/finance flow);
- quality (a difference in capital cost or variety of impact); and
- persistence (how long the additional finance or impact endures)[11].

In addition, the endurance of the impact may need to be considered in investor exit.

Additional finance and/or impact is ideally measured in absolute terms (e.g., sector-wide capital invested in specific instruments, or in macro changes in impact themes) but this may be difficult for individual institutions to assess due to data limitations. At minimum, measuring relative changes within institutions can be instructive to demonstrate deeper alignment with impact intent and a proxy for step changes in aspiration. More so, these relative (per institution) measures can collectively suggest progress at the macro/absolute scale when aggregated across multiple institutions. Any measurement requires progression from a baseline measure to avoid crediting changes that would have happened anyway as shown in Figure 2.2 below.

FIGURE 2.2: ADDITIONALITY FRAMEWORK



Source: UK Homes and Communities Agency Additionality Guide (2014)

Thinking in terms of additionality in finance and/or impact can help institutions focus on creating the impact needed (i.e., what does meeting the SDGs, or science-based carbon and resource reduction targets actually require) rather than impacts institutions are accustomed to measuring as part of assessing their business practices.

[10]Impact additionality is ideally a component of impact measurement and could to be integrated into measurement processes and is thus closely linked with the Measurement of Impact objective. Methodological challenges may prevent this measurement at least during the early stages of applying this impact-based approach.
[11] UK Home and Communities Agency (2014). Additionality Guide Fourth Edition.

2.2. Outline Positive Impact Real Estate Investment Framework

GUIDING QUESTIONS
13. Does the Investment Objective outline framework match in outline with the real estate investment cycle? Do you see any missing gaps that need addressing in the investment cycle? 14. How should the framework be structured so that differences between asset owners and asset managers are effectively captured (that is, can the Investment Objectives be segmented between owners and managers)? What about for different property types? 15. Do you have your own impact framework that can be shared (publicly or within UNEP FI's Property Working Group and its collaborators)?

Table 2.3 below - still provisional – is an outline framework based on the Investment Objectives described above and the stages of the investment cycle for property. This is meant to be a structuring device to help institutions move through a process of identifying impact 'areas of influence', identifying and executing investment opportunities, measuring ex-ante and ex-post impact, and re-orienting institutional capacities and capital. Comments are invited on this framework in order to guide the framework's development over the coming months.

Similar to the PWG's and collaborating partners 2016 publication Sustainable Real Estate Investment Framework for implementing the Paris climate agreement, the Positive Impact framework will offer **'should' and 'could' actions** for investment sector actors across the value chain at each step of the investment process and **resource references to support implementation**. In addition to these action items, the framework can serve as a communication tool to promote transparency, i.e., a way to present decisions and results to stakeholders.

This indicative framework recognises that the Investment Objectives presented above require action by both asset managers / investors and asset owners (those that issue mandates versus those that implement them) to create the changes in investment practices that Positive Impact seeks to affect. The Framework elements are grouped by:

Investment thesis:	Focus on holistic impacts first (what benefits are sought, what negatives need to be mitigated), and generate investment themes and opportunities to match
Outputs:	The capital investment results (project or portfolio), and the measured positive and negative impact generated or mitigated
Outcomes:	Progress steps and shifts in institutional and societal sustainability

Table 2.3: Outline Framework - Positive Impact Investments in Real Estate (provisional)*

	Investment Objectives	Clarity of impact	Market and sustainable returns	Measurement of impact	Additional finance and /or impact
		(difference between Asset Owner and Asset Manager control/actions to be included)			
Investment Process	Strategy & Fundraising	e.g., analyse current investment strategies positive and negative impact characteristics across GHG, health, labour, resources use, etc.	e.g., establish investment themes based on positive and negative impacts	e.g., determine related metrics (e.g., GHG boundaries, scope), establish baseline and targets	e.g., increase financial flow and investment themes beyond business as usual, such as impact themes addressed or geographical coverage
	Alignment / Selection	e.g., mandates to include impact-based factors	e.g., management contracts tied to impact performance	e.g., determination of remuneration metrics for impacts achieved	e.g., mandates to cover broader impact themes and finance flows

	Execution: *Development / Acquisition Management Exit*	e.g., create asset strategy tied to impact investment themes (e.g., creation of a 'net-zero' building fund for core commercial and institutional office; creation of a social housing focused fund)	e.g., re-adjust buy/hold/sell criteria, capital planning (e.g., existing assets for upgrade versus ground-up development)	e.g., use of enhanced analytics across all impact themes	e.g., increase in capital spend on 'impact-based' technologies and services (e.g. building integrated renewable energy)
	Monitoring & Reporting	e.g., define ex-ante impact targets, set science-based targets	e.g., implement owner and tenant protocols for data collection and increase in reporting frequency	e.g., third-party verification of in-use / operating data and across all positive and negative impacts	e.g., monitoring to capture extended supply chain impacts
	Market Engagement	e.g., influence governments with regard to improved regulatory measures to raise standards across the sector	e.g., commission research on financial value of impact metrics	e.g., support emergence of third party verified benchmark	e.g., engage with policy makers on blended finance instruments to serve high-risk markets

* Cell contents are simplified examples of either 'could' or 'should' actions and indicative resulting measures. No differentiation between Asset Owner and Asset Manager control/actions is made though this is intended in the to be completed framework.

Source: Authors (as informed by Sustainable Real Estate Investment: Implementing the Paris Climate Agreement: An Action Framework (2016))

3. CONCLUSIONS

3.1 SUMMARY

This paper suggests an impact based approach as a deepening of ESG integration, where a holistic assessment of positive and negative impacts that result from investment activity is:

- considered in advance of investment decision-making,
- is used to shape investment decisions, and
- informs how negative impacts (possible in any investment sector or product) can be mitigated.

Positive Impact is intended so that social, economic and environmental impact is intrinsic to sector/asset selection and value creation.

Taking an impact-based approach to investments will be action-oriented for asset owners and investors, that is:

- a series of steps within institutions to build the skills and capacity for identifying impacts,
- measuring and quantifying positive and negative attributes, and
- making the value case outwardly for pursuing Positive Impact.

Investors may start with a small group of projects or identified fund to phase in investments that can be objectively assessed as Positive Impact, or seek to create overarching strategies that are phased-in progressively.

The case studies presented as part of this discussion paper demonstrate broad alignment with the Positive Impact Principles (definition, frameworks, transparency, assessment), though most show some process and methodological gaps. This suggests a need for agreement on and access to tools and resources to bring fuller alignment with the Principles, particularly in relation to:

- identifying positive and negative impacts across all three sustainability realms (economic, social, environmental);
- in undertaking ex-ante and ex-post measurements; and
- in framing investments to address the SDGs around holistic impacts rather than sector targeting.

A set of Investment Objectives were presented which are guide-posts to implementing the Positive Impact Principles and move from investment thesis to investment outputs to hoped-for outcomes. These objectives can become a structuring device for a Positive Impact Real Estate Investment Framework to orient decision-making at each stage of the investment chain.

Through Working Group 1, the Property Working Group and its collaborators intend to produce such a Framework and supporting guidance by the end of 2018.

3.2 REQUEST FOR FEEDBACK

The outline framework shared in this discussion paper is part of a collaborative engagement process with industry practitioners. UNEP FI seeks critical comments on its usefulness and relevance to their investment activities, and any gaps or relevant elements for actions that might have been omitted. Alongside this, a further step to assess the case studies is planned, that is, reviewing the cases against the outline framework to test the extent they demonstrate clarity of impact; market and sustainable returns; measurement of impact; and additional finance and/or impact flows.

Comments received will feed into the development of a user-friendly and effective Positive Impact Real Estate Investment Framework and accompanying guidance. Its delivery will not signal a fully finished product, but rather a flexible document that can be added to over time – particularly as information builds of detailed methodologies or tools are used by practitioners and shared within the group of participating institutions in this initiative.

Respondents are asked to please consider the following **discussion questions** (found in the applicable sections throughout the document), though UNEP FI welcomes any feedback offered. Any comments on this document can be appended to the table below and sent to matthew.ulterino@un.org.

1. As finance institutions orient themselves on the adoption curve for applying an impact-based approach, what are some of the key challenges they will need to manage within their institutions? This could range from capacity of internal resources, access to proprietary or sector-accepted methodologies, investor and investee relations (building the business case), and more.
2. Acknowledging the good work done on ESG integration and beyond, there are still significant gaps in market practices with regards to executing an impact-based approach. Based on the case studies summarised in Appendix A, what do you see as the key insights and lessons (strengths and gaps towards impact-based investing) in relation to these case studies? Are there specific methodologies and metrics referenced in the case studies you see as particularly meaningful and wish to see further elaborated upon?
3. Are the Investment Objectives useful as framing questions for action so that an impact-based approach can be operationalised? i.e. • how do I determine and pronounce clarity of impact? • do investments deliver market and sustainable returns? • have I measured ex-ante and ex-post impacts? • has this approach enabled my institution to go beyond a 'business as usual' trajectory - has it yielded impact and finance flows which otherwise would not have been delivered?
4. Are the Investment Objectives understandable and meaningful to both asset owners and asset managers?
5. Is it possible and useful for real estate investors to create identifiable and agreed investment themes that cover pre-defined impact areas specific to the real estate investment sector?
6. Can you identify resources that are focused on impact identification for the real estate sector? Of these, do they contain gaps that an impact-based approach as outlined in this paper can address?
7. This paper introduces a proposed 'impact categorisation approach' (i.e., a process of identifying a common reference for impact categories that they can use to screen based on materiality assessment, the negative and positive impacts across the three pillars of sustainable development). Would this offer benefits in setting metrics and indicators and improve comparability between investments and products?

8. In which ways do you presently see the market valuing an impact based approach, e.g., in market demand, risk reduction, reputation, or new financing opportunities? (This may be either anecdotal or quantitative.)
9. Do certain impact themes and markets appear as particularly challenging for which public private partnerships can accelerate market activity?
10. Do you feel that current methodologies and tools for measuring impact for economic, societal and environmental benefits are sufficient to create alignment with the Positive Impact Principles (e.g., measuring positive and negative and mitigating negative impacts; appropriate transparency)? Are there methodological challenges that need further attention?
11. Is ‘additionality’ in finance (markets) and in impact (thematic) something that investors can objectively measure, either relative to institutions or absolute to the sector?
12. What sort of resources or support, if any, would be useful to property investors for identifying underserved / undercapitalised impact themes or markets?
13. Does the Investment Objective outline framework match in outline with the real estate investment cycle? Do you see any missing gaps that need addressing in the investment cycle?
14. How should the framework be structured so that differences between asset owners and asset managers are effectively captured (that is, can the Investment Objectives be segmented between owners and managers)? What about for different property types?
15. Do you have your own impact framework that can be shared (publicly or within UNEP FI’s Property Working Group and its collaborators)?

APPENDIX A: CASE STUDIES

A call for contributions to this paper was issued yielding 13 case studies from ten leading companies. The case studies cut across direct investment (projects or funds, including single-asset); portfolio or corporate strategy; finance instruments; and industry engagement. The variety of case studies received show the range of industry views on how the Positive Impact approach can be applied. In gathering the case studies, it is recognised that projects or strategies reflect more about the sponsor's adopted processes than being strictly informed by the Positive Impact Principles. If Positive Impact sets a target point for where practices should be, the case studies can help illustrate the distance between that target and present best practices. The case studies offer perspectives as well on how present practitioner activities and methodologies can progressively align with the Positive Impact Principles.

A template was provided to respondents so as to generate consistent and comparable information from each. From this, a basic assessment was made on the extent that they follow the four Positive Impact Principles. This assessment is captured in the table below.

TABLE A: INVESTOR CASE STUDIES – ASSESSMENT AGAINST THE POSITIVE IMPACT PRINCIPLES

	Brief description	**Definition*** Makes an economic, social, environmental contribution once any potential negative impacts have been identified and mitigated. * Information is included on the investor's intent and motivation for positive impact sought.	**Frameworks** Processes, methodologies and tools to identify and monitor positive impact in investments made.	**Transparency**** Comprehensive client and/or public reporting and disclosure on how impact is assessed (methods and tools) and what impact is achieved. ** Refer to 'Frameworks' for information on transparency on methods and tools.	**Assessment:** Measurement of impact achieved (which may include, e.g., variety, magnitude, scale), internally processed or via third-parties.
Direct Investment					
Argent / KCCLP: Kings Cross Central	15-year central London mixed-use regeneration project atop disused railway logistics and handling land. Masterplan details are 22 office and 17 residential buildings, 500,000 sq. ft. of shopping, hotel, culture, leisure and education over a 67 acre site.	Delivering both strong investment returns to and socio-economic benefits to the community. A number of positive objectives and benefits were identified in the planning application and updated throughout the regeneration programme, most prominently: returns to investors, local employment and Gross	An in-house management framework has been used to manage, monitor and report ESG performance, e.g. in construction employment & training, community and school engagement, an ISO 14001 environmental management system, BREEAM third party certification for green	Published an annual sustainability report since 2014 including environmental and social impact reporting which is publicly available on Kings Cross website. In 2017 an impact report was published with social impact performance information.	Several quantifiable impacts are reported, including: Investment returns: 25.1% pa over 5 years; infrastructure improvements: over £3 billion invested in transport upgrades and stations; societal benefits: 1,900 new homes (35% affordable); delivery of Frank Barnes school for deaf children and facilities for 5,000 creative students at St Martin's

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		Value Add economic output, affordable housing, and environmental benefits. Negative impacts are not clearly identified, though implicitly are considered through the planning consent process.	buildings, etc. In 2017, an external consultant (Regeneris) created a new social impact model against Argent's local activities to identify and quantify the added value of the development.	A level of ex-post and ex-ante assessment has been undertaken, with the ex-post elements link to the planning / development consent agreement secured by KCCLP and King's Cross development sustainability strategy.	University of Arts; socio-economic benefits - 600 local jobs created by KX recruit, and construction skills centre resulted in over 550 NVQ achieved since 2014; Environmental benefits - 26 acres of new parks and open spaces, 10 new public squares, 79% of power demand off-set by CHP engines with 100% heat generated onsite; 9,000 sq m of green roofs. A specific social impact report was published in 2017 with information provided, developed and reviewed by the third party Regeneris.
Bridges Property Alternatives Fund III: The Old Vinyl Factory	London redevelopment project intended to address the acute affordable housing shortage in a high-cost market, and provide ground floor commercial and retail space. The Fund's mandate is to support the revitalisation	Goal is to invest in properties and property-backed operating businesses that are helping to address pressing social and environmental challenges. Information on mitigating negative impacts is provided. Defined impact goals with specific	Bridges have a series of processes, tools and methodologies that help to identify and monitor the positive impact of its property investments. Bridges have begun to integrate the SDGs into deal sourcing process, using the themes and	Information on impact methodology, impact management project and case studies is provided in on-line annual reports. Case studies about the activities, projects, programs and/or companies financed and intended impact is publicly	Social indicators are third party verified: Some measured impacts include: providing over 2,000 weeks of local employment and apprenticeships as part of the expected c.4,000 new jobs on site and 1,200 temporary jobs in the overall masterplan;

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	of the most underserved areas of the country (using the Government's Index of Multiple Deprivation as our guide, 50% of property investments in the Fund are located within the 25% most deprived areas in the UK and 90% within the most deprived 50% of areas in the UK, or in European Assisted Areas).	measures for delivery include: • help revitalise an underserved area that had been derelict for over 40 years, contributing to create a high-quality development, public spaces and significant employment for the local community; • provide the maximum possible quantum of safe, adaptable and lower-cost housing for residents and flexible commercial space (within the parameters of the masterplan); • deliver buildings that demonstrate environmental leadership and contribute to the decarbonisation of the built environment.	targets to identify impactful areas where investible solutions exist. The impact is assessed across the five dimensions defined by the Impact Management Project. This includes the important positive or negative outcomes for people or the planet (What), how significant they are (How Much) and whether they occur for groups of people and/or the planet who are in need of the outcome (Who). Bridges have developed an assessment framework applied at the project and fund level. Its impact scorecard contains over 120 indicators.	available in Bridges Fund Management website, as well as the processes in place to select, monitor and track the impact achieved by its investments.	Environmental indicators verified by specialist contractors. Code for sustainable Homes Level 4 and BREEAM Very Good. reduction in CO2 emissions compared to the UK average home by 65% and space heating needs by 75%, reduction in embodied carbon (CO2e) of the frame compared to average concrete frame home by up to 80%. Delivered 243 lower-cost and sustainable homes that can accommodate up to 800 people; c.70,000 sqft of landscaped area (45% publicly accessible) as part of 250,000 sq. ft. of landscaped public space for the local community delivered by the masterplan;
Lendlease Corporation: The Barangaroo Skills Exchange (BSX)	A 10 year $AU6 billion urban regeneration development in central Sydney. Planned as Australia's first large	During construction the aim is to be water positive, generate net zero waste to landfill and enhancing the	A 'social return on investment' (SROI) analysis was undertaken to measure and monetise the extra-financial value	Information is publicly available through a project website. The training programme was developed and delivered jointly with	The social and economic benefits of the BSX have been independently assured. The analysis found the BSX delivered $78.5 million in

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	scale carbon neutral community, Barangaroo aims to be one of the world's most sustainable global business centres. BSX sources, coordinates and delivers all aspects of skilling and training to support the construction phase.	wellbeing of the community. BSX is a response to the construction industry's critical shortage of appropriately skilled trade labour, particularly in *green-skills* needed to deliver the project's carbon neutral goals. BSX is the cornerstone of the Project's social sustainability / equity strategy. Negative impacts are not clearly identified, though may not be relevant to the case study (i.e., programmatic focus on skills gaps).	generated from the operations of the BSX Partnership. The analysis involved applying the Seven Principles of Social Value as originated by Social Value UK. The stakeholders evaluated included: site workers, the principal contractor (Lendlease), sub-contractors, industry and government. Evidencing the change was determined through stakeholder interviews and an independent survey.	government entities/support. This funding agreement includes strict reporting and acquittal process to report back to the Federal government on the funding expenditure and training delivered against the Program. .	socio-economic benefit to the 8,900 workers, government and contractors during this period. For every $1.00 invested, the Partnership achieved a ratio of $11.76 net socio-economic benefit. The social and economic value accrued both to construction workers and their employers. Specific performance against the social indicator's target includes: Over 20,000 accredited skills qualifications (200% above target); Around 11,000 workers trained (200% above target); Consistently exceeded 20% of skilled trade work on site to be undertaken by apprentices; 120,000 learning outcomes delivered (including non-BSX skilling / training programs).
Single asset strategy					
Mitsubishi Corp-UBS Realty (Asset Manager) / Japan Retail Fund (JRF)	A retail mall owned by JRF which undertook upgrade and renovations works in 2014 and 2017 to improve environmental	Improvements to the property hardscape and landscape were implemented to increase use of native species and	Following the upgrades, the property achieved Development Bank of Japan (DBJ) Green Building certification (the	Economic returns from the property are provided as part of annual financial disclosures from the REIT. The property is included as	JRF notes that the rainwater reducing system functioned to prevent damage to the neighbouring river from heavy rain events which would have

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Investment Corporation: Oyama Yuen Harvest Walk Renewal project	performance and social amenity.	for improved management and retention of stormwater. A community venue was also added for use by neighbourhood residents, local schools or commercial facilities; and to create space that can be used to support disaster response activities. Negative impacts are not clearly identified.	first such certification issued to a commercial facility REIT). The project was also awarded a 'silver prize' at the Asia Pacific Shopping Centre Award as a result of environmental and social benefits and increased financial returns (e.g., tenancy and customer/sales measures) following the upgrades.	a case study in the JRF sustainability webpage.	previously created negative impacts. JRF has also measured an increase in number of customers, increase in sales of tenants and increase in real estate rental business revenue of the investment corporation after the renewal.
Mitsubishi Corp-UBS Realty (Asset Manager) / Industrial & Infrastructure Fund (IIF) Investment Corporation: Haneda Airport Maintenance Centre LED project	Renovation projects to improve lighting quality and reduce energy consumption at this Tokyo airport facility. The full switchover to LED lighting was structured so that IIF bore the cost of upgrade, with a portion of the decrease in electricity charges of the tenants are returned to the IIF.	The reduction of electricity consumption has a direct impact on lowering carbon emissions. The upgrade has also created financial benefits from a decrease in operating expenses of the tenant and contributes to an increase in owner's revenue. Negative impacts are not clearly identified.	After the upgrade, the property acquired the BELS environmental certificate (certification scheme promoted by the Japanese Ministry of Land, Infrastructure and Transport).	Information on facility and environmental certification are provided on the IIF website sustainability page. A certification notice is posted at the front entrance of the hangar, contributing to environmental awareness raising.	The renovation has resulted in reduced annual electricity consumption and CO2 emissions by more than 30%. Verification of the reduction in power consumption has been provided by the LED manufacturer, and is included in the BELS environmental certification.
Time Equities: 125 Maiden Lane	A Downtown New York office tower seriously damaged by super storm Sandy, which has since	Time Equities has a Global Citizen Pledge which cascades into policies and practices for addressing	Use of building certification (LEED, Energy Star, Building Wellness) and portfolio benchmarking	Performance information is assessed and publicly reported annually.	LEED Certified status was initially achieved for the building, but with ongoing improvements for the building

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	been subject to major upgrades to the mechanical systems, streamline of operations and management, and LEED certification and Building Wellness Label.	how it can reduce its negative impact. Through these polices, undertaking upgrades, and proper team management, the building's performance has been optimised. An option for Clean energy purchasing for the property is presently being considered. Negative impacts are not clearly identified.	through GRESB are utilised.		and verifying through LEED Arc Performance path verification, the property has achieved a higher LEED Gold (score of 77). Measurements of energy, water and waste reductions are being measured and are improving every year from the benchmark year. Measurement of carbon footprint of the building is also being reported.
Portfolio/Corporate Strategy					
Bentall Kennedy: Positive Impact strategy	Corporate strategy to integrate impact based social initiatives to investment and management that address related investor, tenant and community interest, and align to international best practice such as the United Nation's Sustainable Development Goals. The approach affirms Bentall Kennedy's view that buildings with leading environmental, social and	Approach is based on the following sustainability and impact objectives: Health & wellbeing; Clean energy; Innovation & Infrastructure; Sustainable communities; Responsible consumption; and Climate resilience. Negative impacts are not clearly identified.	Several management, monitoring and reporting frameworks are utilised, e.g. Eco Tracker & Eco View, Bentall Kennedy's sustainability data management system Energy Target Setting Program, and formalised waste management and reporting approaches through an external vendor. Eco Tracker capabilities cover: utility tracking, waste tracking, emissions reporting, energy	Bentall Kennedy reports ESG performance in its publicly available an annual Corporate Responsibility Report inclusive of confirmed environmental data, following the GRI Standard (2016). It reports annually to the Global Real Estate Sustainability Benchmark (GRESB) and UN PRI, Energy, water, waste and GHG emissions, data is provided to key stakeholders (property management teams,	Some elements of the process are externally verified and assured It engages external parties (Energy Profiles Limited; KPMG) to provide assurance over selected performance indicators. Measured improvements have been delivered portfolio wide through data on energy, water and waste (e.g., properties that participated in the three-year cycle that started in 2013 reduced energy usage by 14.2% on average, avoiding

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	governance strategies should outperform comparable assets without strong sustainability practices.		modelling, target-setting tool, budgeting capabilities, portfolio benchmarking, certification management, qualitative sustainability data collection, and data syncing with Portfolio Manager (ENERGY STAR).	clients, tenants, asset managers) to inform budget decisions and improve performance that reduces emissions.	9,337 tons of GHG emissions and saving $9.5 million in energy costs). Ground-breaking research commissioned by Bentall Kennedy found buildings with green certifications tend to benefit from lower operating costs, higher renewal rates and tenant satisfaction, and better financial performance than their uncertified peers.
Hermes Investment Management: Responsible Property Management and impact measurement Programme	Hermes' Responsible Property Management Programme (RPM) is structured around KPIs and related performance targets, implementing management process and monitoring and reporting environmental performance against the KPIs. It also reports on the socio-economic impacts through a narrative approach based on case studies. The targets cover directly managed properties over which Hermes have	Since the last three years, the RPM programme is being extended into a Positive Impact Investing framework based on three key elements: 1) Intentionality – the objectives in terms of real-world impacts, and the targets and indicators against those; 2) Monitoring the outcomes 3) Developing trust in the industry on these issues through transparency, including through verification and certification, and through	Hermes have developed in house tools and frameworks to implement its RPM programme and the measurement of impacts, e.g., Responsible property development and refurbishment guide and Responsible property management system and data management systems. It also uses a number of third party frameworks: building certification - BREEAM, EPC, RESET; and fund and property benchmarks - GRESB, REEB.	Hermes report environmental and social performance ex-post against set targets on an annual basis which are publicly available (website and annual responsible property investment report). Hermes reports annually to the global benchmark GRESB. Quarterly environmental performance data is used internally as part of our asset management process. Dedicated quarterly reporting to the fund's clients.	The RPM Programme performance data is verified by an external body, Carbon Credential, on an annual basis. Some results achieved include: reduced landlord-controlled absolute and by floor area carbon emissions by 40% of directly managed standing portfolio by 2020 compared to our 2006 baseline; reduced by 5% the annual carbon emissions, energy intensity and total energy consumption of directly managed portfolio, adjusted for weather on a like-for-like basis; reduced landlord-

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	management control (60% of our portfolio).	engagement with REIT, real estate companies and debt funds. All funds have specific ex-ante environmental and social targets which are monitored and reviewed annually. Negative impacts are not clearly identified.		Hermes.	controlled water consumption by 20%; achieved an 80% recycling rate; financial figures are long-term income return (6.4%), long-term capital growth (2.8%) and long-term total return (9.4%).
Nomura Real Estate Asset Management (NOREAM): Nomura Real Estate Master Fund, Inc	NREAM is a fund management arm of Nomura Real Estate Group who plays a core role of the asset management business within the group. The NMF's ESG investment policy is the leading practice in the group's CSR activities and part of its efforts towards contributing to the Sustainable Development Goals (SDGs).	NMF's 'leasing value chain' and 'strategic property replacement' (SPR) strategies emphasise acquisition and upgrades of certified buildings. MNF have reduction targets on energy consumption and CO2 emissions. In the entire portfolio and individual property, energy consumption intensity per unit of more than 1% per annum in the 5 years from FY 2016 onwards in accordance with the Energy Efficiency and Conservation Law.	An internal management system is in place for progress reviews, e.g., data reviews and causes of increase / decrease in usage is carried out for every 3 months. Utilises building certification ratings/metrics in Japan including Development Bank of Japan Green Building Certification and BELS (Building Energy-efficiency Labelling System).	The following content is disseminated to investors and publicly available online: energy and water consumption, GHG emissions, other environmental measures (installation of solar power, energy conservation, water conservation, waste reduction, response to climate change, green lease etc.) Disclosure of individual cases of information such as customer satisfaction survey, community contribution, attraction of nursery schools and	Measured results (internally produced) include: DBJ Green Building Certification obtained for 43 out of 258 properties, accounting for 53.9% in terms of floor space; BELS Certification obtained for 18 out of 258 properties, accounting for 17.5% in terms of floor space; a comparison of four properties which acquired the DBJ Green Building certification and four buildings with the same age / quality were measured with a 6.4% on a crude oil equivalent basis and 12.5% on a GHG reduction in the DBJ certified buildings.

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		Negative impacts are not clearly identified.		medical institutions to property holdings, disaster prevention / BCP countermeasures, etc.	
Groupe Quartus: Territorial Inclusion	Territorial Inclusions is the name of site/area screening and analysis process undertaken by Quartus to reveal social/quality of life needs that may be addressed by the project/proposal under development and to help integrate various environmental issues of the project with the global objectives of sustainable development.	The territorial inclusion approach aims to increase both offer and quality of the services deployed within the local areas where it is developing projects. In that it helps identify social and environmental design considerations and technologies for implementation and inclusion in the project strategy. It is further used to project or predict the future energy performance and, carbon emissions, guide what can be done to include future inhabitants in the low-carbon energy transition (e.g., home automation, awareness raising, etc.), and improve mobility (e.g., bicycle services).	Quartus Territorial Inclusions assessment is a proprietary tool that covers a preliminary analysis based on available statistical data, a territorial analysis based on a comprehensive location based survey, and finally an impact prediction The survey focuses on several local area factors such as: • quality of life, e.g., 3G, 4G internet connectivity; safety; potential nuisances (noise, night light, pollution, etc.) • proximity to services, educational structures, and health structures; • proximity to leisure activities. • mobility	The tool is just now being tested, and a case study on the results is being planned. The Territorial Inclusions tool hasn't been verified by an external actor.	The assessment of the local area features will be done on a more qualitative basis (e.g., a scale going from low to high). In terms of quality of construction and of the operation, impacts will be measured quantitatively. The goal is to utilise a life-cycle analysis of the building to estimate the positive and negative impacts of the studied building, such as in GHG emissions and in land use.

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		Negative impacts are not clearly identified, though implicitly will be considered through the planning consent process.	It is intended that green certification for the buildings will follow.		
Finance Instruments					
City Developments Limited (CDL): Republic Plaza Green Bond	The first green bond launched in Singapore in April 2017 (2 yr senior note / 1.98% fixed rate), raising S$100M. Proceeds were allocated to refinance a S$100 M million loan on Republic Plaza, including retrofit projects for achieving and maintaining the energy and water efficiency requirements of the Green Mark Platinum certification.	The financial instrument applies to a property that has achieved the highest rating in the principal green rating system used in Singapore, with high energy and water reductions from the building. It has created an alternative financing stream for the company, to draw on the increased global interest in socially responsible investments and growing demand for relevant products. Furthermore, the bond has had the effect of raising awareness and uptake of green financing in Singapore.	The bond is Climate Bonds Certified, and a second party opinion on the robustness of CDL's green bond framework and its environmental credentials was provided.	CDL has a robust tracking and reporting system in place for all its assets, including Republic Plaza. All sustainability performance data and trending is reported in the publicly available CDL annual integrated sustainability report. Green bond impact measurement is undertaken in line with Climate Bond Initiative standard and provided to investors.	The bond supported CDL's effort in maintaining the highest Green Mark standard. From continuous efforts to enhance energy and water efficiency, Republic Plaza saves more than six million kilowatt-hours of energy annually and approximately 10,255 cubic metres of water, yielding S$1.2 million of annual savings. KPMG has provided independent limited assurance on allocation of proceeds and impact of use of proceeds, fulfilling the post-issuance requirements of the Climate Bonds Standards.

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		Holistic and negative impacts are not clearly identified.			
Mitsubishi Corp-UBS Realty (Asset Manager): Japan Retail Fund Investment Corporation (J-REIT) Green Bond	The first green bond issued in the Japanese REIT market, the proceeds of which are used to acquire existing and/or new projects. and refinance existing debt (including outstanding bond redemptions) for eligible Green Projects. The five-year note issued in May 2018 has a coupon rate of 0.21% and raised $75 USD million (8 billion Japanese Yen), with a maximum bond allowance set to 45% of the book value of eligible green properties.	Eligible properties are based on industry accepted green building certification protocols such as Development Bank of Japan (DBJ) Green Building Certification and CASBEE (both are multi-criteria environmental rating schemes). The bond has increased market awareness of green property financing and assisted JRF in obtaining funds from new investors who have not previously invested in corporate bonds. Holistic and negative impacts are not clearly identified.	The bond adheres to the International Capital Market Association's (ICMA) Green Bond Principles relating to use of funds, project evaluation / selection process, management of funds, and reporting.	JRF will report annual environmental performance indicators such as electricity and fuel consumption, water consumption and CO2 emissions. This information will be publicly disclosed (http://www.jrf-reit.com/english/structure/sustain_gre.html#article_c) and part of investee communications.	JRF has obtained a second party opinion that the bond conforms to the ICMA Principles from the evaluation agency Sustainalytics. It also acquired an opinion / certification of "GA1" (highest evaluation) from the rating agency (R&I) on the degree to which funds procured through green bonds are invested in projects that contribute to solving environmental problems.
Industry Engagement					
City Developments Limited (CDL) + NGO and	The Singapore Sustainability Academy is Singapore's first major People, Public and	The SSA vision is to contribute to a cleaner, greener and more sustainable future. The	An independent assessment of the SSA benefits has been prepared (e.g., connecting key	Information dissemination on best practices, including on the design and operation of the building, is	As of 9 March 2018, the on-site PV has generated 42,419 kWh and the SSA consumed only 26% of the energy

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government partners: Singapore Sustainability Academy (SSA)	Private (3P) ground-up initiative in support of the UN Sustainable Development Goals and Singapore's national goals to tackle climate change. It is also the first collaboration between a private developer and non-profit organisation to set up a major training and networking platform. It is housed in a newly built demonstration space, a 'live' example for practitioners to learn and be inspired from.	Academy aims to provide a platform for businesses and community players, with a focus on youths, to discuss and increase awareness on the low carbon economy, resource efficiency, and sustainable practices including financing. The SSA will focus on the key areas of advocacy, building capacity and collaboration, education, training, and information and resource sharing as well as user engagement. The building itself generates more energy than it consumes and uses innovative materials in the local market. Negative impacts are not clearly identified, though may be less relevant to the case study based on the programmatic focus.	stakeholders in Singapore around sustainability; qualitative and/or quantitative Return on Investment (RoI) / benefit to CDL; recommendations on tools and processes to better capture longer-term impacts).	central to the mission. Details and activities at SSA can be found at https://www.cdlsustainability.com/singaporesustainability-academy/	generated; and prefabricated building technology was adopted which has saved 130 man days and raised productivity by 30%; and since the opening of the SSA in June 2017 till end February 2018, close to 90 outreach events and training sessions have been held at the SSA. An independent assessment was prepared, and qualitative benefits have been observed but with caveats related to correlation, e.g., the SSA has become a hub for climate action and sustainable development advocacy, and user feedback has been positive. The events hosted by the SSA are numerous but may have taken place elsewhere. The SSA is located at a CDL retail property, and an increase in footfall has been tracked (though other factors may have played a stronger roll).

APPENDIX B: REFERENCE RESOURCES

The sub-sections to this appendix provide additional information on several of the policy frameworks, industry initiatives related to impacts, and reports and studies referred to in Section 2.1. Guidance for Impact-Based Investment Decisions, or otherwise broadly known within the industry These resources may contribute supporting information and guidance as part of the investment framework to be developed. The table below summarises their potential use and application as part of an impact-based approach to investment identification and execution (with suggested primary application in red font).

TABLE B1: USEFUL REFERENCE RESOURCES

Name / Resource	Clarity of impact	Sustainable & market returns	Measurement (Indicators)	Additionality
Impact Management Project	Based on the 'five dimensions,' guidance for how institutions can create and measure impact.	Involves a range of large institutional investors / asset managers as well as impact-oriented finance and philanthropy actors		Seeks to address questions of whether the impact would have occurred in absence of a specific investment.
Habitat III – New Urban Agenda	High level objectives for urban growth (e.g., equitable, inclusive, minimises environmental harm) can help shape investment themes.	Applies to broad range of real estate and local infrastructure related to land and property development.	While indicators are not included in the New Urban Agenda, practitioners could develop metrics related to Agenda objectives.	Seeks marked changes in urban development paradigm (high levels of resource / carbon intensity, unplanned and under-service settlements, local environmental stresses, etc.).
Sustainability Standards Assessment Board (SASB) Framework	Universe of sustainability issues that businesses are exposed to, can influence (i.e., impact themes).	To be considered as a standard part of financial reporting.	Not included but could be derived from the framework	
Advancing Responsible Business in Land, Construction & Real Estate Use & Investment' – Making the Sustainable Development Goals a Reality	Guidance for property companies / investors to think holistically about the impact of business activities and strategic investment decision-making in relation to human rights, labour, environment and anti-corruption and the implementation of the Sustainable Development Goals	Applies to all phases and multiple market actors in investment and management life cycle	Indicators are not included but could be developed from the impact considerations.	
PRI Impact Investing Market Map		Guidance on market opportunities (investment themes) related to SDGs	Includes common indicators to track the outputs / outcomes of a specific thematic investment	

GRESB	Though benchmarking is relative to peers and reporting is ex-post, it may offer a resource for ex-ante impact identification and target setting	GRESB scores are 'common currency' between large asset owners and asset managers as an indicator or strategic importance on ESG integration	Widely utilised and accepted set of ex-post metrics in energy, water, waste, health and wellbeing, etc. Benchmarking improves industry transparency.	
IRIS		Intended to support assessment of financial and sustainability performance.	Catalogue of generally accepted performance metrics.	Can support setting of baselines.
National TOMs (Themes Outcomes & Measures)	Sets 5 overarching strategic themes related to social impact and 17 outcomes (objectives or goals) related to the theme.	Initially targeted at 'social entrepreneurs / social enterprises'	35 Measures (including proxies) to assess whether the outcomes have been achieved.	Potential to assess progress from a baseline to the stated outcomes
Future-Fit Business Framework		A systems-based approach of businesses nested within society and within the natural environment that are interconnected and mutually dependent	Set of Break-Even Goals, i.e., transition point beyond which a business starts helping rather than hindering society's transition to future-fitness, and accompanying indicators.	Guidance on Positive Pursuits – business activities that go beyond the Break-Even point for improved outcomes for society and environment.

B1. Impact Management Project

One resource available to practitioners to understand their impact influence comes from the Impact Management Project. It is a global initiative of investors, advisors, NGOs and foundations to generate consensus on principles and procedures for signalling intent and establishing impact expectations. It provides guidance and resources to assess which effects experienced by people and the planet are material to investors, and how impact and financial goals can be set as a result.

The Impact Management Project suggests "five dimensions" that can help understand effects and structure impact and investment choices. By investigating the dimensions in which impacts are felt or revealed, impact goals (the aim or desired result) against each dimension of impact and indicators to help manage performance against these goals can be set. The five dimensions are defined as:

- **What** outcome, positive or negative, the effect drives and whether it is important to the people or planet experiencing it. Investors may decide that an outcome is important based on its own opinion, or guided by professional experts, or through shared consensus like the Sustainable Development Goals or Social Progress Index.

- **How much** of an effect occurs by considering its significance: how big a driver the effect is of the outcome (Depth); how many people the effect occurs for (Scale); and how long the effect lasts for (Duration).

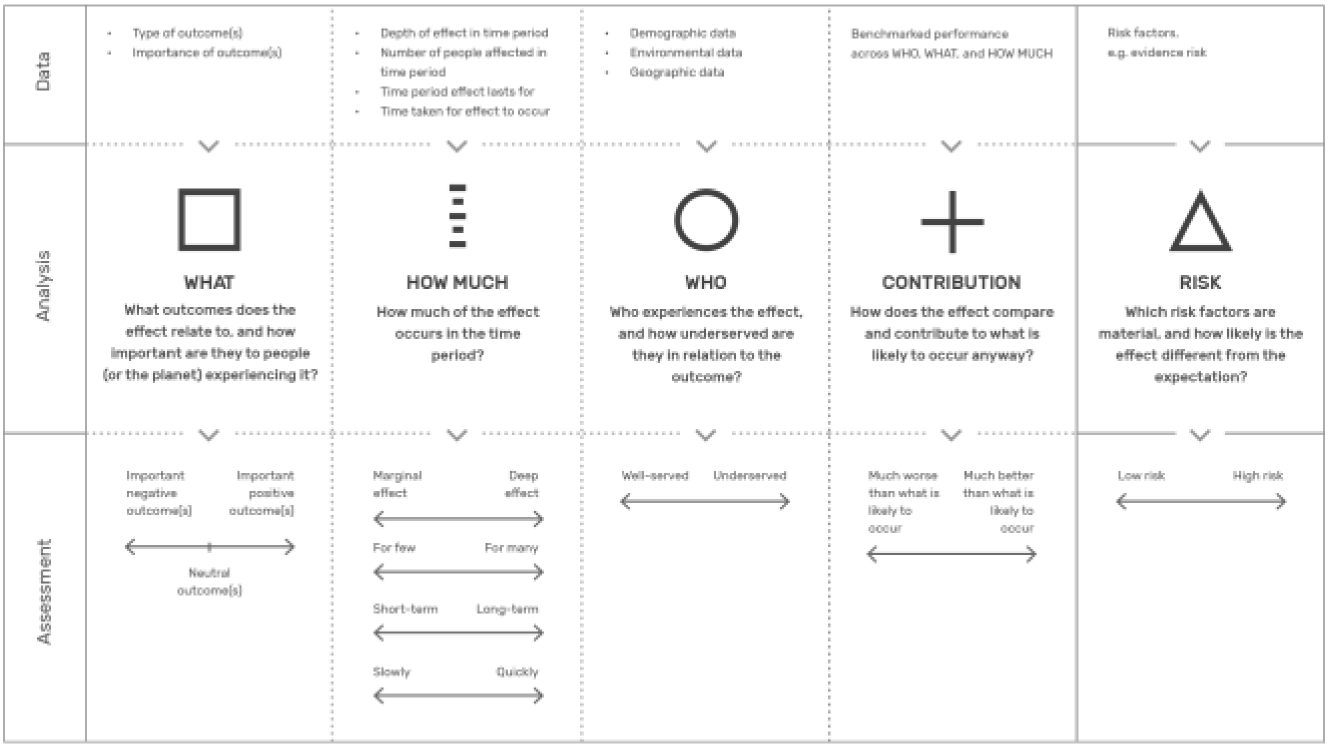
- **Who** experiences the effect and whether they are underserved in relation to the outcome(s). Since different effects can lead to the same outcome – and it's the outcome that matters – this is the focus when thinking about whether a population is under- or well-served. Do the people (or planet) have the opportunity to experience the outcome that the effect relates to?

- The **contribution** that the effect makes to what is likely to occur anyway, based on whether the effect: leads to more or less important positive or negative outcomes, and/or is more or less significant (in terms of depth or the number of people it occurs for or how long it lasts for or how long it takes to occur) and/or occurs for people (or planet) who are more or less underserved than those currently experiencing it.

- The **risk** that the effect is different from our expectation

The graphic below summarises the connections between the five impact dimensions (What, How Much, Who, Contribution, and Risk) and the data required to assess impact in each.

GRAPHIC B1: SHARED UNDERSTANDING OF IMPACT



Source: [Impact Management Project]

B2. NEW URBAN AGENDA (HABITAT III)

The United Nations Conference on Housing and Sustainable Urban Development (Habitat III, October 2016 in Quito, Ecuador) resulted in the adoption of the New Urban Agenda. The Agenda provides agreement on a new model of urban development predicated on wide-ranging sustainable development features to ensure urban development is wholly consistent with equity, welfare and shared prosperity. The Agenda captures the contributions and roles from governments, civil society, and private finance and industry. Its opening declaration states:

> *By readdressing the way cities and human settlements are planned, designed, financed, developed, governed, and managed, the New Urban Agenda will help to end*

poverty and hunger in all its forms and dimensions, reduce inequalities, promote sustained, inclusive, and sustainable economic growth, achieve gender equality and the empowerment of all women and girls, in order to fully harness their vital contribution to sustainable development, improve human health and well-being, as well as foster resilience and protect the environment.

Executing the Agenda for cities and settlements needs to be guided by the following principles:

a) Leave no one behind, by ending poverty in all its forms and dimensions, including the eradication of extreme poverty, by ensuring equal rights and opportunities, socio-economic and cultural diversity, integration in the urban space, enhancing liveability, education, food security and nutrition, health and well-being; including by ending the epidemics of AIDS, tuberculosis, and malaria, promoting safety and eliminating discrimination and all forms of violence; ensuring public participation providing safe and equal access for all; and providing equal access for all to physical and social infrastructure and basic services as well as adequate and affordable housing.
b) Sustainable and inclusive urban economies, by leveraging the agglomeration benefits of well-planned urbanization, high productivity, competitiveness, and innovation; promoting full and productive employment and decent work for all, ensuring decent job creation and equal access for all to economic and productive resources and opportunities; preventing land speculation; and promoting secure land tenure and managing urban shrinking where appropriate.
c) Environmental sustainability, by promoting clean energy, sustainable use of land and resources in urban development as well as protecting ecosystems and biodiversity, including adopting healthy lifestyles in harmony with nature; promoting sustainable consumption and production patterns; building urban resilience; reducing disaster risks; and mitigating and adapting to climate change.

More information on the New Urban Agenda can be accessed from: http://habitat3.org/the-new-urban-agenda/

The table below groups excerpts from the New Urban Agenda: objectives on the left column and outcomes on the right column. These New Urban Agenda outcomes can be thought of as creating impact intent for property investors, recognising that specific investments (asset types, geographies, finance structures) will need to be identified to meet the intent.

TABLE B2: NEW URBAN AGENDA AND PROPERTY INVESTMENT

Impact (positive and negative)	**New Urban Agenda outcomes (proxies for investment themes):**	**New Urban Agenda objectives - cities and settlements that:**
Shelter Services (built and natural environments)	Right to adequate housing	fulfil their social function
	Universal access to safe and affordable drinking water and sanitation	
	Equal access for all to public goods and quality services (health, educational, infrastructure, etc)	
Health	Safe, inclusive, accessible, green, and quality public spaces	are participatory and promote civic engagement
	Friendly for families	
	Enhance social and intergenerational interactions	
Gender	Private and public space design for safety and security	achieve gender equality
Livelihoods	High productivity and value-added activities	sustained, inclusive, &

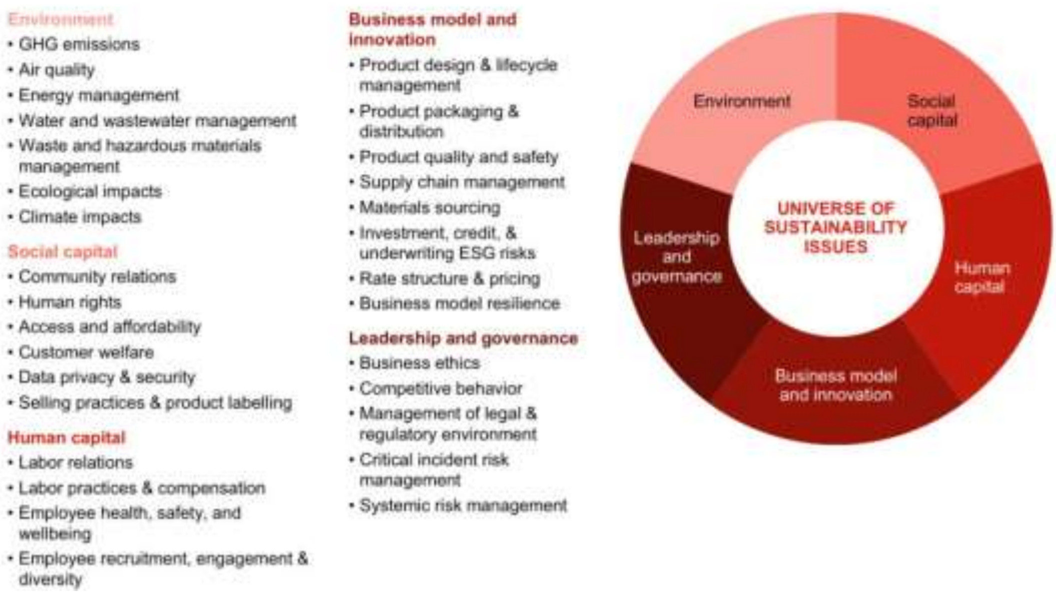
Impact (positive and negative)	New Urban Agenda outcomes (proxies for investment themes):	New Urban Agenda objectives - cities and settlements that:
and wages	Harnessing local economies	sustainable economic growth
	Resource efficiency	
Community life Mobility	Sustainable, safe, and accessible urban mobility	promote age- and gender-responsive planning and investment
	Transport systems for linking people, places, goods, services, and economic opportunities	
Climate Change	Reduce vulnerability and build resilience to natural and man-made hazards	adopt and implement disaster risk reduction and management
	Foster mitigation and adaptation to climate change	
Services (built and natural environments)	Promote ecosystems, water, habitats, and biodiversity	protect, conserve and restore natural systems
	Sustainable consumption and production patterns	

Source: Authors

B3. Sustainability Assessment Standards Board (SASB)

SASB is an independent standards-setting organisation for sustainability accounting standards to support a level of standardisation in materiality disclosure needed by investors in their analysis of investees. The standards focus on known trends and uncertainties that are reasonably likely to affect the financial condition or operating performance of a company. SASB have created a Sustainability Framework setting out a universe of sustainability issues and impacts (30 in total grouped under five headings) that affect innovation, business models, and corporate governance. As is the case with the SDGs or the New Urban Agenda, a selection of these can act as impact themes to target to which corresponding investments are made.

Figure B2: SASB Sustainability Framework



Source: Sustainability Standards Accounting Board

B4. RICS and UN Global Compact Responsible Business Sectoral Resource

RICS has been working with the United Nations Global Compact on identifying the most critical issues facing companies with a stake in land, real estate and construction in relation to the Compact's Ten Principles and the SDGs. The aim of the resource is to encourage companies to think holistically about the environmental and social impact of their business activities and strategic investment decisions. 'Advancing Responsible Business in Land, Construction, Real Estate Use and Investment – Making the Sustainable Development Goals a Reality' provides a practice-orientated roadmap for our industry and clients through:

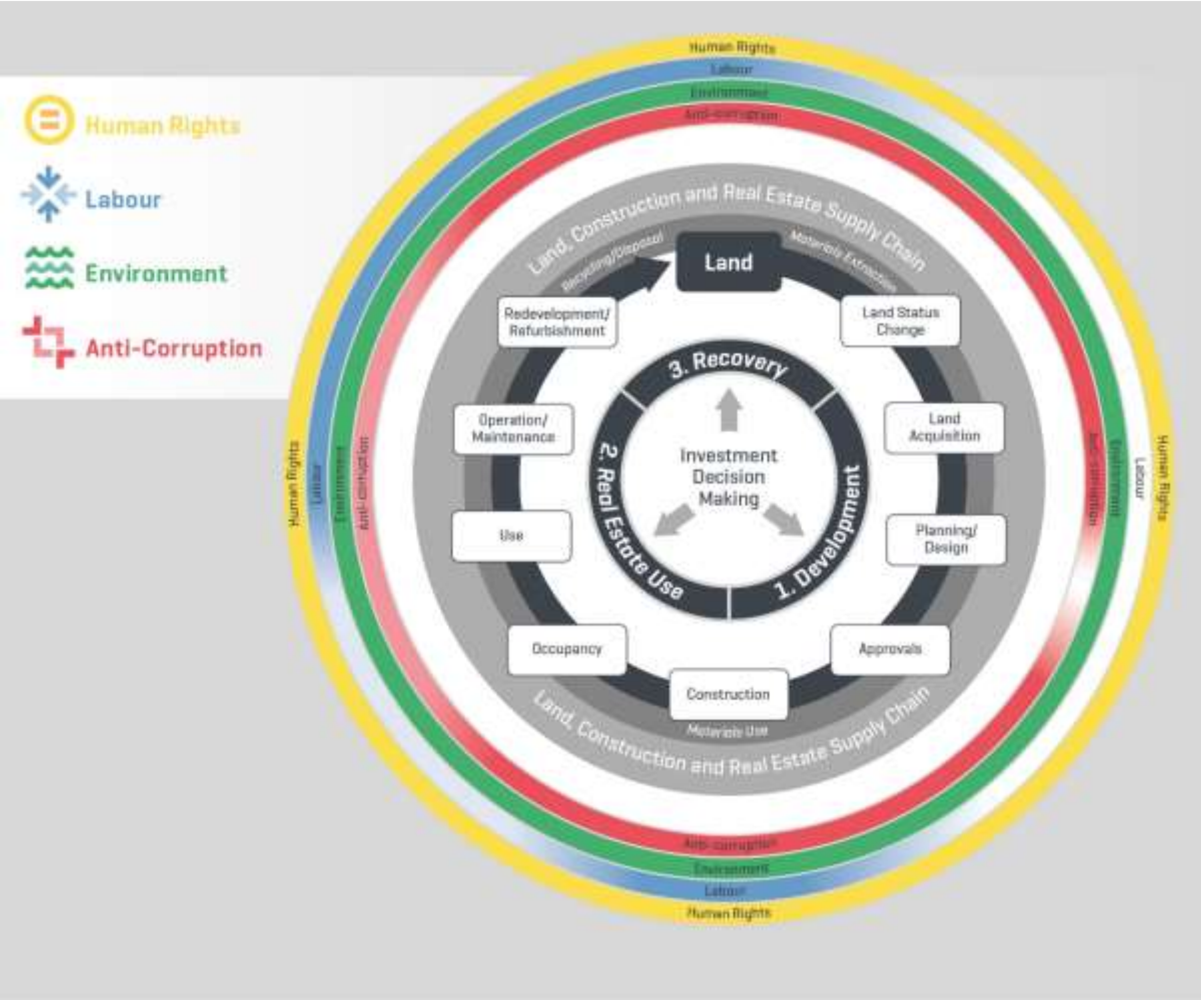
- A toolbox of SDG-related and wider UN resources
- Real life case studies showcasing successful SDG implementation
- A Self-Assessment Checklist mapping 15 sectoral issues (see Table B3 below) and corresponding 15 action items to individual SDG indicators

TABLE B3: SECTORAL IMPACT ISSUES PER LIFE CYCLE PHASE

Life Cycle Phase	Sectoral issues
Development	• Land governance • Transparency and anti-corruption • Respecting workers' rights • Environmental stewardship • Quality of planning, design and construction
Real Estate Use	• Transparency and disclosure • Environmental stewardship • Treatment of tenants and communities • Health, safety and well-being of building occupants • Decent work and human rights within the value chain
Recovery	• Strategic site-use re-evaluation • Refurbishment and retrofitting • Waste management, resource conservation and recycling during demolition • Brownfield regeneration • Land recovery and rehabilitation of site

The heat map in Figure 3 visualises the direct impact of sectoral activities on the Global Compact issue areas of human rights, labour, environment and anti-corruption.

FIGURE B3: HEAT MAP – IMPACT OF INDIVIDUAL LIFE CYCLE STAGES ON GLOBAL COMPACT ISSUE AREAS



Source: [RICS and UN Global Compact]

B5. PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) IMPACT INVESTING MARKET MAP

PRI has created a practical guidance tool to help define the investment sectors in which impact investors have been targeted / are likely to target. Its research suggests that 465 organisations made impact-related investments last year, representing US$1.3trn in combined AUM – up from 280 and US$800bn respectively in 2014. However, the impact investment landscape remains broad as well as fragmented, which creates challenges for investors seeking to increase their allocations in impact-related investments. Moreover, many terms and thematic investment areas (e.g., energy efficiency and affordable housing) have not been universally defined, making it difficult to identify benchmarks and set industry best practices.

The Market Map was created to help harmonise industry language around impact investing and impact sectors. It is not a standard, but rather a distillation of information related to thematic investments (10 in total) on:

- a definition of a specific thematic investment;
- source of the definition and the correlation of this thematic investment with the SDGs and other international initiatives;
- basic financial conditions to identify impact investing companies based on themes;
- conditions (i.e., certifications and initiatives) required to be aligned with specific thematic investing businesses/investments;

- information and suggestions on how to use and collect the data related to the conditions; and
- common indicators used by the international community to track the outputs/outcomes of a specific thematic investment.

The target audiences for the Market Map include trustees, board executives, asset managers and fund managers, as well as organisations such as data providers, impact investment companies and academics. More information can be found at: https://www.unpri.org/thematic-and-impact-investing/impact-investing-market-map/142.article

B6. GRESB

GRESB (Global Real Estate Benchmark) evaluates performance against 7 sustainability aspects and contains approximately 50 indicators used for assessing the Environmental, Social and Governance (ESG) performance of property companies and real estate investment funds. The indicators follow a plan-do-check-act logic and are designed to encompass the wide variety of property companies and funds included in the benchmark. GRESB's main stakeholders are institutional investors seeking a more thorough understanding of material risks and value-producing opportunities based on companies' strategic and operational approaches to climate change, energy efficiency, and other environmental, health and wellbeing considerations.

GRESB provides absolute and relative benchmark results to members/participants across a number of measurements. Energy benchmark figures are relative to the peer group of respondents and are comparable against normalisation factors (e.g., occupancy, footfall, hours, heating and cooling systems, etc). Results are disaggregated by survey areas with scores for E – Environmental, S – Social, and G – Governance provided.

FIGURE B4: 2017 PARTICIPATION FIGURES

Source: GRESB

B7. IRIS

IRIS is a catalogue of generally accepted performance metrics used by many impact investors to measure social, environmental, and financial success. It includes metrics for:

- **financial performance -** including standard financial reporting metrics such as current assets and financial liabilities;
- **operational performance** - investees' governance policies, employment practices, and the social and environmental impact of their day-to-day business activities;

- **product performance** - metrics that describe and quantify the social and environmental benefits of the products, services, and unique processes offered by investees;
- **sector performance** - to describe and quantify impact in particular social and environmental sectors, including agriculture, financial services, and healthcare
- **Social and environmental objective performance** – to describe and quantify progress towards specific impact objectives such as employment generation or sustainable land use.

IRIS does not prescribe a metric to be used, but rather offers a repository of known and tested metrics that may be applicable for project investors or developers. IRIS can be used to set a measurement framework, after which data will be collected/populated, analysed to discern performance, and reported against.

The IRIS catalogue is organised by the following ten sectors:

- Agriculture
- Energy
- Financial Services
- Health
- Water
- Education
- Environment
- Land Conservation
- Housing/Community Facilities
- Cross-Sector

IRIS is an initiative of the Global Impact Investing Network (GIIN)[12]. Metrics are selected or developed for the catalogue through a formal and open process that includes review and inclusion of existing 3rd party standards, input from expert working groups and advisors, and feedback from users and the public. More information can be found at https://iris.thegiin.org/metrics

B8. NATIONAL TOMs (UK)

The aim of the National TOMs Framework (Themes, Outcomes, Measures) is to provide a minimum reporting standard for measuring social value. It is structured around:

- 5 Themes – the overarching strategic themes that an organisation is looking to pursue;
- 17 Outcomes – the objectives or goals that an organisation is looking to achieve that will contribute to the Theme; and
- 35 Measures – used to assess whether these Outcomes have been achieved.

The **5 Themes** are as follows:

1. Promoting Skills and Employment
2. Supporting the Growth of Responsible Regional Businesses (to take part in public procurement; to become integrated into large company supply chains)
3. Creating Healthier, Safer and More Resilient Communities (build stronger and deeper relationships with the voluntary and social enterprise sectors whilst continuing to engage and empower citizens).

[12] The latest GIIN survey (2017, page 41) shows the greatest number of respondents using proprietary metrics and frameworks (156) compared with those using metrics aligned with IRIS (119). Between these two is the number of respondents that use qualitative information in their measurement of impact (136). (Respondents could select multiple options.) The full GIIN survey results can be retrieved from: https://thegiin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf

4. Protecting and Improving our Environment (cleaner and greener built and natural environments; procurement practices)
5. Promoting Social Innovation: (find innovative solutions to old problems)

The figure below shows the Outcomes matched to the Themes.

FIGURE B5: NATIONAL TOMS THEMES AND OUTCOMES

Themes	Outcomes
Jobs: Promote Local Skills and Employment	More local people in employment
	More opportunities for disadvantaged people
	Improved skills for local people
	Improved employability of young people
Growth: Supporting Growth of Responsible Regional Business	More opportunities for local SMEs and VCSEs
	Improving staff wellbeing
	Ethical Procurement is promoted
	A workforce and culture that reflect the diversity of the local community
	Social Value embedded in the supply chain
Social: Healthier, Safer and more Resilient Communities	Crime is reduced
	Creating a healthier community
	Vulnerable people are helped to live independently
	More working with the Community
Environment: Protecting and Improving Our Environment	Climate Impacts are reduced
	Air pollution is reduced
	Better places to live
	Sustainable Procurement is promoted
Innovation: Promoting Social Innovation	Other measures (TBD)

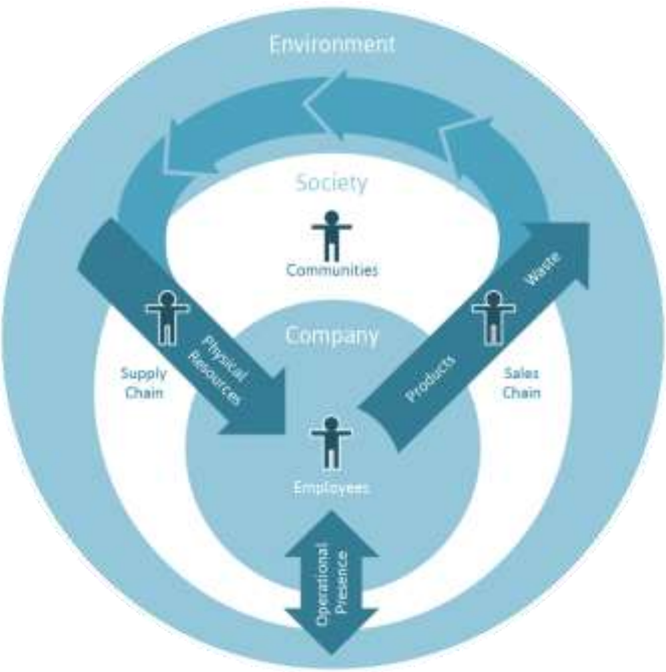
Source: The Social Value Portal

The 35 measures are a set of minimum requirements that need to be met in order to report effectively against the Themes and Outcomes. For many, proxy values are provided to support in quantifying the impact. Among other resources, it provides guidance on attribution (what can be claimed / what results from the investment or activity). It includes an excel measurement calculator tool.

B9. FUTURE-FIT BUSINESS BENCHMARK

The Future-Fit Business Benchmark is based on a vision for how companies need to be responsive to and responsible for the societal and environmental conditions that can be both destroy business (and societal and planetary) value if ignored, and create positive outcomes if addressed. It is based on a systems approach of businesses nested within society and within the natural environment (People, Planet and Profit) that are interconnected and mutually dependent. At minimum, business in no way hinders environmental and societal progress, and ideally contributes to it. The intent is that business acts to reverse the effects of past system condition breaches (environmental and societal) and acts to help others (e.g., suppliers and customers) avoid future system condition breaches.

FIGURE B6: SYSTEM VALUE (NESTING OF BUSINESS, SOCIETY AND ENVIRONMENT)



Source: [Future-Fit Business Benchmark]

The Benchmark is a framework that sets a science-based destination for companies to aim for, with a guide and monitoring resource. It is based on:

- 23 Break-Even Goals, which mark a "line in the sand" that all companies must strive to reach – it is the transition point beyond which a business starts helping rather than hindering society's transition to future-fitness.
- A set of Break-Even Indicators equips companies to assess and manage their progress toward each goal.
- Guidance on Positive Pursuits that any business may undertake go beyond the Break-Even point and deliver improved outcomes for society and environment.

FIGURE B7: BREAK-EVEN (MUST DO) AND POSITIVE PURSUITS (MAY DO)

...must protect people and planet, reaching social and environmental break-even by...	**Future-Fit Business**	***...may*** pursue positive outcomes, by helping others to reach break-even or by...
Safeguarding the health of people affected by the company's own operations, by activities throughout its supply chains, and by its products	**Fosters Wellbeing**	**Improving health, addressing unmet needs** via beneficial products and business models, and by acting to increase wellbeing and provide access to economic opportunity for others
Protecting ecosystems affected by the company's own operations, by activities throughout its supply chains, and by its products	**Respects Nature**	**Restoring ecosystems** via regenerative activities across the company's value web, and by offering restorative products
Optimizing resource productivity by eliminating waste and reducing resource use in the company's own operations and supply chains, and via its products and business models	**Optimizes Resources**	**Increasing the life of materials** via products and business models that maximize the in-use and post-use value of goods, and by using resources reclaimed from waste streams
Conducting business responsibly by behaving ethically, contributing fairly to public infrastructure, and not using its influence in ways that slow society's progress to future-fitness	**Strengthens Society**	**Growing trust and resilience** by improving physical infrastructure and institutions that serve to support society's progress to future-fitness

Source: Future-Fit Foundation; Future-Fit Business Benchmark Methodology Guide Release 2.0.4

The 23 Break-Even goals are headlined as:

1. Energy is from renewable sources
2. Water use is environmentally responsible and socially equitable
3. Natural resources are managed to respect the welfare of ecosystems, people and animals
4. Procurement safeguards the pursuit of future-fitness
5. Operational emissions do not harm people or the environment
6. Operations emit no greenhouse gases
7. Operational waste is eliminated
8. Operations do not encroach on ecosystems or communities
9. Community health is safeguarded
10. Employee health is safeguarded
11. Employees are paid at least a living wage
12. Employees are subject to fair employment terms
13. Employees are not subject to discrimination
14. Employee concerns are actively solicited, impartially judged and transparently addressed
15. Product communications are honest, ethical, and promote responsible use
16. Product concerns are actively solicited, impartially judged and transparently addressed
17. Products do not harm people or the environment
18. Products emit no greenhouse gases
19. Products can be repurposed
20. Business is conducted ethically
21. The right tax is paid in the right place at the right time
22. Lobbying and corporate influence safeguard the pursuit of future-fitness
23. Financial assets safeguard the pursuit of future-fitness

Information on how each goal relates to other goals, and to the SDGs, is provided.