

Identifying & evaluating carbon reduction opportunities during due diligence



Our speakers



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ESG in Due Diligence

URBAN LAND INSTITUTE

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ULI Greenprint Center for Building Performance

Reduce Carbon, and Build Value

RESEARCH

Thought Leadership

Content on **climate mitigation**, making the **business case for green buildings** and the journey to net zero for the global real estate industry

MEMBERSHIP

Community of Practice

Collaborative of 60+ **real estate owners** committed to improving the **environmental performance** of buildings and achieving net zero by 2050

TECHNICAL

Local Assistance

Convene **public and private sector** at the local level to **overcome barriers to decarbonization** and accelerate real estate's journey to net zero



Accelerate decarbonization across the global real estate sector on the journey to net zero carbon by 2050

Importance of ESG in Due Diligence

Assess the value and cost of potential acquisitions through the lens of ESG



DATA

Baseline understanding
that you can't manage
what you don't measure



SUCCESS

Set up the asset and
portfolio for success
against expectations
and goals



RISK

Future-proof against
climate risks – both
physical and transition

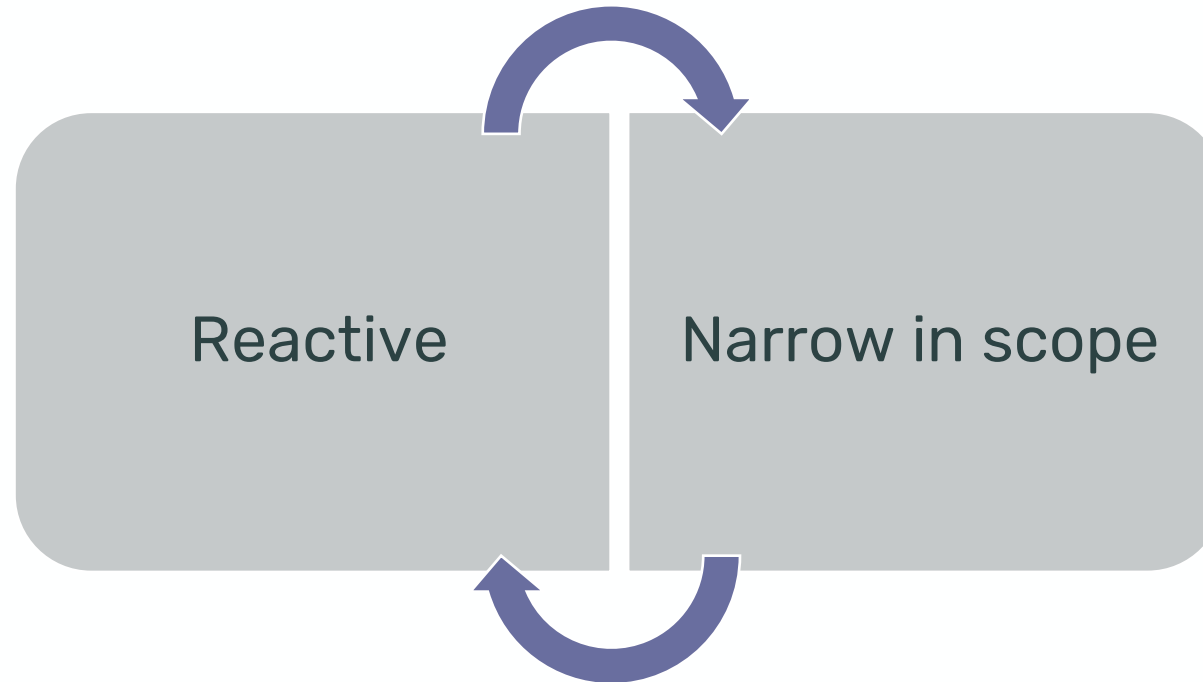
What's included in an ESG DD Assessment?

- Property Attributes
- Regulatory Details
- Certifications/Ratings
- Physical Resilience Risk
- Energy Efficiency of Building Systems
- Renewable Energy
- Utility Meters/Data
- Water Efficiency
- Waste Management
- Air Quality
- Property Management
- Land Management
- Tenant Engagement
- Tenant Amenities
- Tenant Health/Wellbeing
- Community Impact
- JV Partners/Processees
- Maintenance & Capital Improvements
- Budget History & Pass-Throughs
- Sustainability of the Market
- Green PCA's Cost Estimates

Biggest Challenge: Speed of the Deal



How is climate risk integrated into the due diligence process today?



A major shift is coming



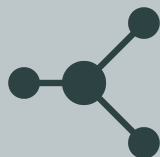
Carbon neutral goals are being set at the state level



Reducing reliance on oil and fossil fuels



The UK has its own taxonomy focused on climate risk



IPCC 2021 Report - Things are becoming more urgent



Regulatory frameworks are shaping up



The market dynamics have changed

GHG efforts are more than just tactical

- Account for risks beyond flood risks tied to insurance
- Get modeling involved – Look at the full impact of climate change
 - Increased weather events
- Understand not just the physical changes but the market changes
 - What are the utility provider in my area to allow transit to a more carbon neutral future
 - Make sure that the place you're buying in has options
 - Understand that there could be a cost associated with lack of options
- Clear goal settings for your portfolio's carbon intensity
 - How do new acquisitions fit in these goals

What credits are available?

- What's for renewable energy that I want to invest in?
- Are there utility providers with more options?
- Am I located in an area where certain types of technology are more feasible?
 - Wind
 - Solar
 - Geothermal
- Financing, rebates, purchase options
 - Solar buyback

What would state regulations look like?

- Not just renewables
 - Example: Is this a state where they are developing infrastructure for electric vehicles?
- Existing and future mandatory disclosures



Identifying & Evaluating Carbon Reduction Opportunities During Due Diligence

PRESENTER

Michelle German
Director, ESG & Sustainability



LBA Realty is a full-service real estate investment and management company with a diverse portfolio consisting of office and industrial assets spanning the country in major markets.

Sensible Sustainability Strategy

LBA's ESG program is based around executing first and foremost on the business case for sustainability within our real estate portfolio. The business case for sustainability requires taking a strategic view - considering costs weighed against benefits in the context of improved financial performance, enhanced operating efficiency, employee recruitment and retention, risk mitigation, corporate identity, brand and leadership.



15.5%

ENERGY REDUCTION

9.9%

WATER REDUCTION

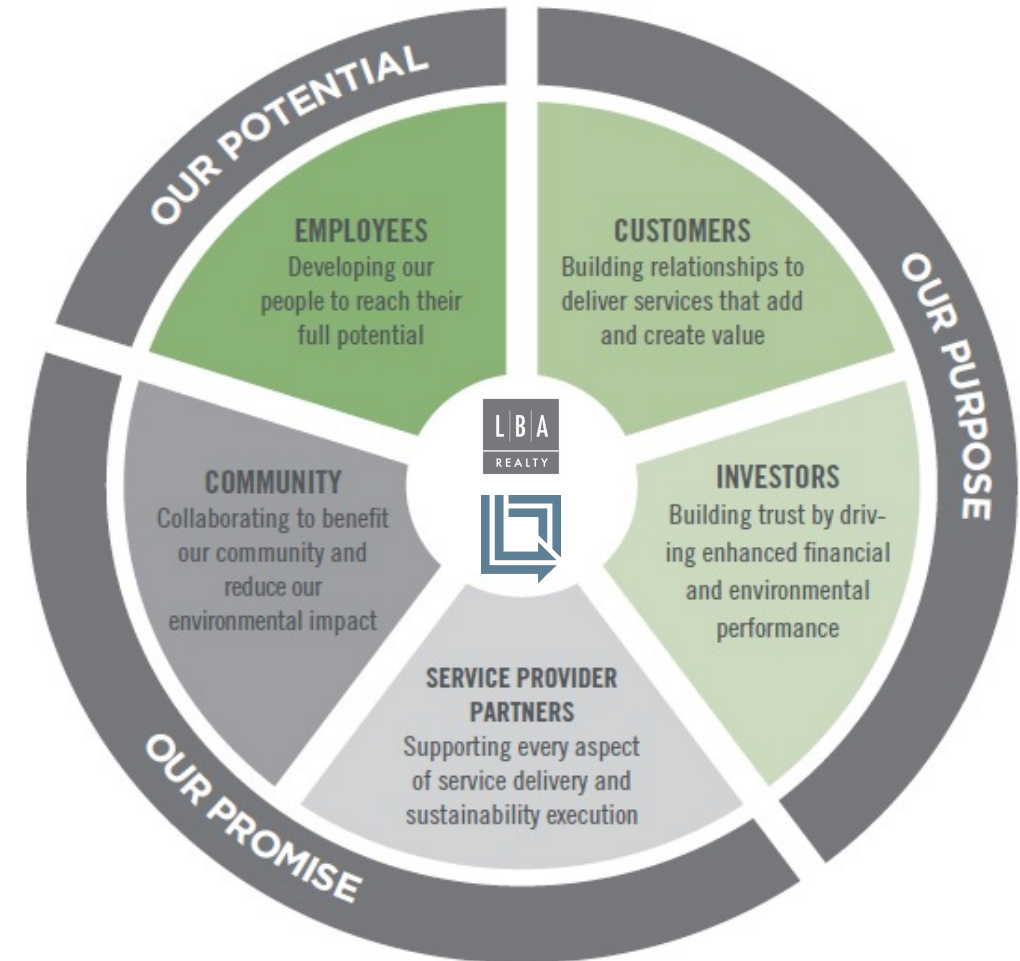
**GHG Emissions
Avoided
Equivalent to
1.8K tons of
waste recycled
instead of
landfilled**

87.3%

ENERGY STAR
AVERAGE
PORTFOLIO RATING

**Results are based off
2020 calendar year.*

**sustain
ability
COUNCIL**
LBA REALTY





WHERE TO START?

Create a Process

- Checklist for (internal) Due Diligence Team – specific to asset type
- Sustainability Checklist for (external) PCA Consultant
- Climate Risk Assessment Memo
- Energy & Risk Assessment – onsite or desktop (external)
- Identify consultants (“subject matter experts”) to support your objectives

Get process embedded into front-end of due diligence - prior to closing

Underwrite decarbonization initiatives from day one



GET TO KNOW THE PROPERTY

Sustainability Checklist & Climate Risk Assessment Memo

- PCA Consultant completes in combination with PCA report
- Climate report flags medium to high climate risks and consultant validates risk to site
- Identifying opportunities and providing recommendations (i.e. – Solar, HVAC, LED Lighting, sensors etc.)
- Provides team a resource to complete Annual ESG Action Plans

Energy & Risk Assessment

- Engage consultant to complete on-site inspection, or desktop (cost effective + faster)
- Data Requested:
 - Building Attributes
 - Utility data - 12-24 months
 - PCA or as-built MEP plans
 - Equipment List
 - Engineering Reports
 - ENERGY STAR profile to be shared

Additional strategies to contemplate

- Assess renewable energy (good market for solar?)
- Smart Building Technology Program – good candidate?



ASSESS RESULTS

Understand Key Findings from Assessment

- Building Efficiency – what opportunities exist to increase efficiency?
- Building Benchmarking – how is asset performing?
- Review observations and recommendations – building envelope, lighting, HVAC, controls, on-site power generation
- Net Zero Pathway – review energy conservation measures + end of useful life equipment/projects + on-site power generation + offsite power generation + grid decarbonization

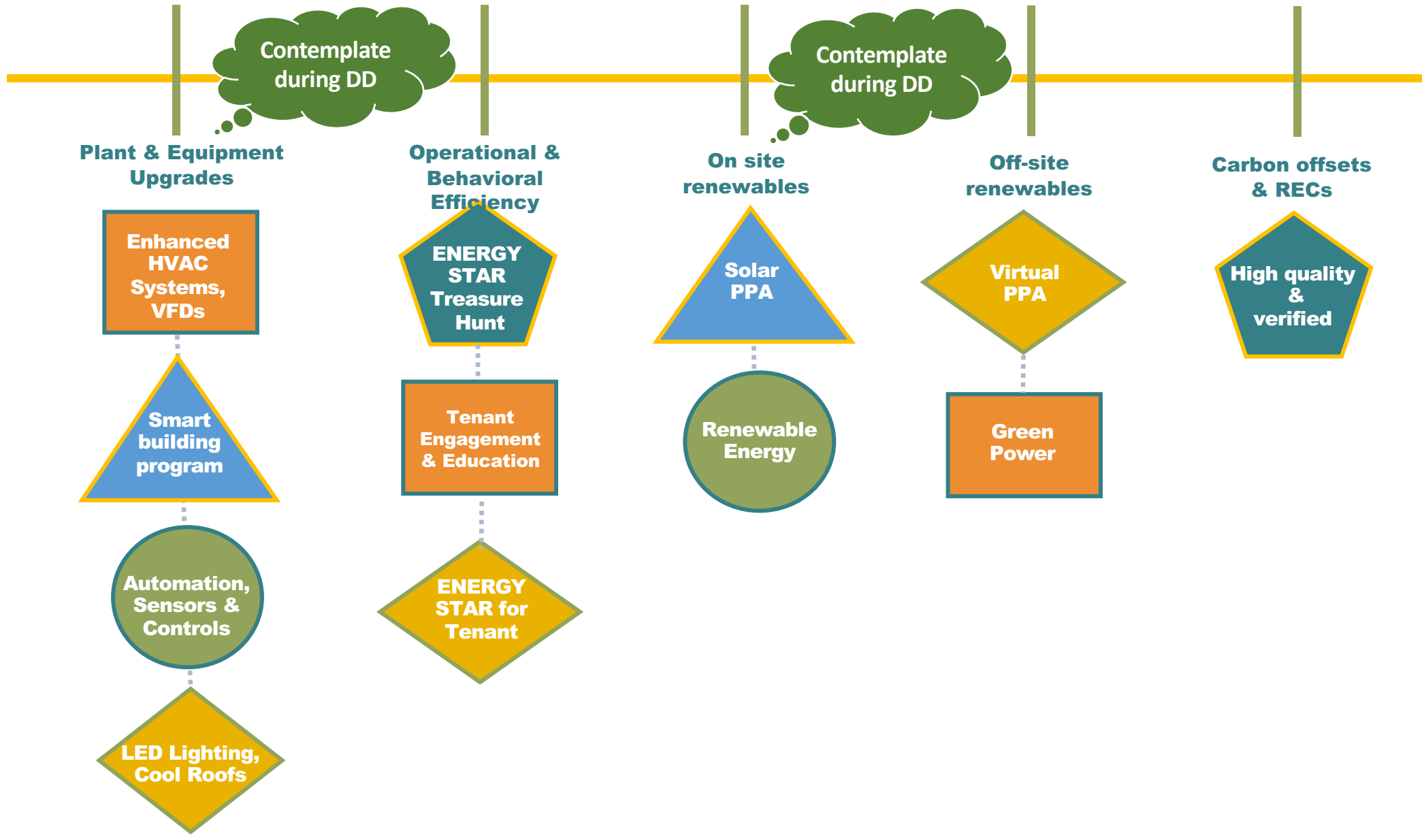
Evaluate Financial Summary

- Proposed Solutions with:
 - Capital cost included
 - Annual savings, Rebates/Incentives, Return on Investment
- Understand asset strategy
 - Hold period, JV partners, Value Add vs. Core vs. Opportunistic, etc.



HOW TO EXECUTE

Underwrite decarbonization strategies



TAKE AWAY'S

- Have a Process
- Obtain “Buy-In” From Stakeholders
- Partner With Subject Matter Experts
- Underwrite Decarbonization Strategies Before Closing

Get in touch!



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