Sustainability regulatory update – issue#1

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EU STRATEGY ON SUSTAINABLE FINANCE *Upcoming*

In its Capital Markets Union (CMU) Mid-Term Review published on 8 June 2017, the EU Commission decided to follow-up on the upcoming recommendations of the High Level Expert Group (HLG), established to help to define a comprehensive European Strategy on Sustainable Finance. In particular, it shall already set in motion work to prepare measures to improve disclosure and better integrate ESG in rating methodologies and supervisory processes, as well as in the investment mandates of institutional investors and asset managers.

**EPRA’s engagement**

The HLG Interim Report [link] has been published on 13th July. This report gives EPRA the opportunity to review the HLG ideas published in the Report, establish policy recommendations and then communicate them to policy makers before the release of the HLG final report in December 2017.

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**ENERGY EFFICIENCY DIRECTIVE (EED) *Ongoing – under review***

The European Commission published on 30 November 2016 the 'Clean Energy for All Europeans Package'. This package contains 14 inter-related binding and non-binding initiatives which will impact many sectors, including listed real estate.

**EPRA’s engagement**

Among them is the proposal of revision of the Energy Efficiency Directive (EED), that aims at including a binding energy savings target of 30% by 2030 and at promoting smart metering and billing. EPRA endorses the draft REPORT of Mrs. Guteland Jytte (MEP) issued publicly at the beginning of June as we view it as a balanced compromise in terms of requirements toward the real estate sector.²

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¹ [https://goo.gl/Qwwcbr](https://goo.gl/Qwwcbr)
² EPRA Summary on EED proposal of revision: [https://goo.gl/ZMZ7WG](https://goo.gl/ZMZ7WG)
**ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE (EPBD) Ongoing – under review**

As part of the ‘Clean Energy for all European’, the Commission proposed an update to the Energy Performance of Buildings Directive to promote the use of smart technology in buildings and to introduce mechanisms for de-risking energy efficiency operations for investors and the private sector. In particular, the EPBD’s revision introduces:

- For larger buildings, building automation and electronic monitoring of buildings systems can be considered to replace inspections (Member State option);
- New obligation to equip new or under major renovation residential and non-residential buildings with a recharging point or pre-cabling for recharging points for electric vehicles in parking lots;
- Definition of a smartness indicator to measure buildings’ capacity to use ICT and electronic systems to optimise operation and interact with the grid.

**EPRA’s engagement**

At the beginning of June, EPRA has provided feedback to the Members of the European Parliament (MEPs) on the proposal of review [link](#)CONFIDENTIAL. EPRA endorsed the draft REPORT of Mr. Bendt Bendtsen and provided additional suggestions on how to increase investments in energy efficiency in buildings.

EPRA’s amendment to article 8 paragraph 6 has been welcomed by Mr. Bendt Bendtsen and officially included among the ones suggested by the relevant stakeholders [link](#).
Proposal for a directive
Article 1 – paragraph 1 – point 5 – point c
Directive 2010/31/EU
Article 3 – paragraph 6 – subparagraph 1

Text proposed by the Commission

The Commission is empowered to adopt delegated acts in accordance with Article 23 implementing this Directive with a definition of ‘smartness indicator’ and with the conditions under which the ‘smartness indicator’ would be provided as additional information to prospective new tenants or buyers.

Amendment

The Commission is empowered to adopt delegated acts in accordance with Article 23, after consultation with relevant stakeholders, on the basis of the outlined design and methodology set out in Annex 1 and with the conditions under which the ‘smartness indicator’ could be introduced following a thorough assessment after a test phase and clarification on how the indicator would be connected to the energy performance certificates referred to in Article 11 and would be provided as additional information to prospective new tenants, tenants or buyers.

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Timeline

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<th>Proposal</th>
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<td>Proposal to Revise the Energy Performance of Buildings Directive</td>
<td>29/05: Consideration of draft report 08/06: Deadline for amendments 10-11/07: Consideration of amendments (tbc) 11/10: Vote ITRE TBC – Plenary vote</td>
<td>ENVI draft opinion: 30/05: Presentation of the draft opinion 07/06: Deadline for amendment 10-11/07: Consideration of amendments (tbc) 07/09: Adoption of draft opinion</td>
<td>19/06: General approach published 26/06: TTE Council – possible agreement on the general approach</td>
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NON-FINANCIAL REPORTING (NFR) DIRECTIVE Adopted

The NFR Directive is a significant legislative initiative to promote consistent reporting of Environmental, Social, and Governance (ESG) issues across Europe. The Directive would directly impact around 6,000 of the largest public interest entities (PIEs) across Europe, including listed real estate companies. On 26th of June, the Commission released its long-awaited guidelines on the methodology for non-financial information, as required by the Directive.

At this link, you can find also a brief resume prepared by EPRA with the main highlights of the Guidelines.