EPRA
EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

TNFD: Draft sector guidance – Engineering, construction and real estate

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EPRA, as the voice of Europe's listed real estate companies, has an important role in sharing our sector's perspectives, strengths, and commitment to contribute to sustainability targets in Europe. With more than 290 members (companies, investors, and their suppliers), EPRA represents over 840 billion EUR of real estate assets (European companies only) and 95% of the market capitalisation of the FTSE EPRA Nareit Europe Index.

The built environment is decisive when it comes to sustainability as the sector is responsible for about 40% of Europe's energy consumption. This includes both residential and commercial buildings, which contribute significantly to overall energy use due to heating, cooling, lighting, and other operational needs.

The real estate sector is also the second most taxonomy-aligned sector, and at EPRA, we strive to maintain this position by fostering continuous collaboration with our membership across Europe.

Driving improvements in this area is key for the European listed real estate companies, as sustainability becomes increasingly important to both tenants and investors. EPRA has a clear and in-depth understanding of how crucial the role of investment in real estate is in ensuring a low-carbon, resource-efficient and increasingly circular European economy.

We do thank the TNFD for the opportunity to give some feedback on its initiative. Furthermore, we will also suggest a few amendments to the existing proposition which reflects our views based on the expertise and experience of our members in sustainability.

After careful review of the guidelines, EPRA requests, for more granular details, more guidance, and specific examples per activity type on how to implement the TNFD recommendations. In particular, EPRA has the following comments:

General comment:

EPRA advocates for the alignment of the TNFD framework with key European regulations impacting its members, including the CSRD, EPBD, EU Taxonomy, and SFDR. The goal is to ensure that information reported under these regulations can be easily reused for TNFD disclosures, thereby minimizing the reporting burden for companies. We therefore recommend providing clearer and more detailed guidance on how to align, reuse, or adapt data reported under these regulations and how to effectively incorporate it into TNFD reporting. This could be supported by a more straightforward approach, such as offering templates and practical tools like detailed mapping tables and checklists to facilitate streamlined reporting across multiple frameworks.

1. Scoping a LEAP assessment (Section 2.1)

- A more detailed guidance on how to assess materiality for nature-related dependencies, impacts, risks, and opportunities at this initial stage would be helpful. The TNFD uses the LEAP approach for materiality assessment, however, it lacks clarity, for example, on integrating the "double materiality" concept required by the CSRD. Therefore, a more detailed step by step process or criteria (including thresholds for determining which impacts are most significant), and a sector specific materiality mapping with examples or scenarios illustrating how a real estate company might apply the double materiality concept, combining both financial and impact perspectives would be beneficial.

- Details on how the findings from the initial scoping phase can directly inform financial risk assessments and reporting, especially concerning value chain considerations and the broader market impacts, could provide stronger alignment with TNFD objectives.

- Provide more detailed guidance on stakeholder engagement processes, particularly how to engage with local communities, indigenous groups, tenants, and other stakeholders impacted by real estate activities.

- While EPDs and LCA should be applied in theory, it's important that the TNFD acknowledge the current state of practices, science and tools in this area, and maybe give some recommendations on how a company might address these issues.

- The TNFD should have a role in encouraging all actors of the value chain do participate in the development of these tools and best practices. Regular updates should be considered as the field of biodiversity metrics and impact evaluation seems to be rapidly evolving.

- With regard to the CSRD, while we acknowledge the efforts made to align it with TNFD, the current draft guidance lacks clarity and completeness. There is no direct correlation between the DIRO analysis and the relevant indicators and metrics for measuring it.

- While we understand that it is not necessarily TNFD's role to take a stance on thresholds of evaluating DIROs (as these are most often company-specific, depending on its activities, localization, current strategies, etc.), it would be helpful to offer some options.

❖ Example: Regarding the double materiality principle, a real estate company might have to analyse the impact of it construction activities on local water resources and also how water scarcity may affect its operational costs. Therefore thresholds for water use, waste generation, or biodiversity impact that trigger further analysis or reporting requirements would be helpful.

2. Locate the organisation's interface with nature (Section 2.2)

- In particular, both TNFD and CSRD refer to "proximity" to key or sensitive zones. As there is no agreed minimal distance and no consensual definition of "proximity", it is currently impossible to assess what one's impact might be – we have seen some tools use 2km and others use 70km as a basis for "proximity". An example of minimal distance according to activity type and how far these activities can have an impact would be helpful (for example: a mining site tends to have an impact radius of XXkm on average, while an existing building might have an average impact radius of a few hundred meters).

3. Evaluate dependencies and impacts on nature (Section 2.3)

- Most of the data recommended to measure and follow dependencies and impacts relies almost exclusively Environmental Product Declarations (or country equivalents), as well as Life Cycle Analysis of biodiversity impact. We believe that the EPDs (or equivalent) are not very reliable for biodiversity impact data (and/or it's just missing) and there is as yet no consensual methodology for Life Cycle Analysis for biodiversity (which data, which scenarios, which hypotheses, proxies, etc.). So in practice, access to data is not easy, and available data is often incomplete.

- More concrete examples of metrics that can be used to measure dependencies and impacts would be valuable and more detailed explanations on how to use them, calculate them, or interpret the results in alignment with TNFD guidelines.

❖ Example: Regarding measuring dependencies: the guide could include water usage per square meter of constructed area, or energy consumption per tenant. For impacts, the carbon footprint of building materials or the biodiversity impact score based on land use changes (among others). Additionally, more details on calculating carbon emissions from construction activities, using specific methods like life cycle assessment (LCA), and interpreting these metrics to align with TNFD guidelines would be useful. Lastly, a description of the type of programme used by the organisation, including whether it is a corporate policy that applies across all activities or an individual asset-level programme, should be added to the narrative on performance

4. Assess nature-related risks and opportunities (Section 2.4)

- More guidance on how to prioritize identified risks and opportunities, particularly in light of financial and strategic business considerations.

- Additional details on how to perform scenario analysis to understand potential future risks and opportunities related to changes in nature, such as those driven by climate change or regulatory shifts, would help in making forward looking disclosures.

❖ Example: The guidelines could show how to rank risks such as flood risk or regulatory changes related to biodiversity by using a risk matrix that considers both financial impacts and probability. Regarding the case study, a good example could be where a real estate company assesses future risks from rising sea levels by mapping properties against projected flood zones and quantifying potential financial losses under different climate scenarios.

5. Prepare to respond and report (Section 2.5)

- More detail on how the results from the LEAP assessment should be incorporated into standard financial reporting frameworks, and what specific metrics or disclosures are expected by investors and other stakeholders.

- Additional examples or case studies of how companies can set meaningful and achievable targets related to nature and how these can be monitored and reported over time, in line with TNFD recommendations, would be helpful.

❖ Example: The guidelines could show how a company can translate findings from nature-related impact assessments into specific disclosures, like provisions for environmental liabilities or notes on material risks in financial statements. Regarding the case study, a example could be the description on how companies set their goals for reducing carbon emissions or water use, together with key performance indicators (KPIs) and timelines, aligned with TNFD recommendations.

6. Sector specific disclosure metrics (Section 3)

- More examples of sector-specific metrics that align with TNFD recommendations, including how to measure them, track them over time, and integrate them into financial and non-financial reporting, would provide clear guidance to companies.

- Although this section contains corresponding indicators and metrics, the absence of clear links between the tables reduces usability. To improve this, explicit references to other TNFD tools, such as the Guide on Target Setting using SBTN methodology, should be included in Section 3, and a link to the Tool Catalogue and relevant tools should be provided. As it stands, the guidance offers limited specific tools or databases for practical use.

❖ Example: The guidelines could certain metrics specific for the real estate sector such the ratio of green-certified properties, reduction in energy consumption per square meter, or the percentage of projects that incorporate biodiversity enhancement measures. Additionally, further explanation on how to include these metrics in both sustainability reports and mandatory financial disclosures, ensuring consistency and compliance with TNFD, CSRD, or other frameworks mentioned above could be very useful.