European Public Real Estate Association (EPRA)

Call for feedback on the Draft delegated regulation amending Commission Delegated Regulation (EU) 2021/2178 as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 as regards simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives

26 March 2025

The European Public Real Estate Association (EPRA) represents the listed real estate sector in Europe, and we thank the European Commission for the opportunity given to provide feedback on the Draft delegated regulation amending Commission Delegated Regulation (EU) 2021/2178 as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 as regards simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives.

EPRA represents around 290 members (companies, investors, and their suppliers) and over 880 billion EUR of real estate assets[1] (European companies only) and 95% of the market capitalisation of the FTSE EPRA Nareit Europe Index – including Real Estate Investment Trusts (REITs) which are companies that own, develop and trade investment property, to investors whether pension funds, asset management firms and insurance companies – who themselves invest in real estate by purchasing their shares.

We stress that our members, including the major listed property companies and REITs, appreciate the full dedication from the European Commission to improve the sustainable finance framework. They are committed to work towards advancing the objectives of the European Green Deal while simplifying the current framework to deliver growth and competitiveness to our sector and to the Europe.

Our members[2] are active all over the world. ESG regulations impact them and the big variety of them as well as standards have an incidence on their actions and on their investment decisions.

The changes proposed by the European Commission are redefining the reporting landscape for listed real estate companies, easing the burden for some while maintaining stricter requirements for others. Within EPRA Membership, the number of EU based LRE companies required to report under the Corporate Sustainability Reporting Directive (CSRD) has dropped by approximately 83.62%, while under the EU Taxonomy, the reduction is around 89.66%[3]. However, some companies that are no longer obligated to report may still choose to do so voluntarily under the optional reporting framework.

Having said that, we would like to highlight that the initiative taken by the European Commission is a way, if correctly done, to achieve its objective of shifting capital flows away from activities that have negative social and environmental consequences and to direct finance towards

[1] Updated in October 2024
[2] Please find here a full list of our membership: https://www.epra.com/about-us/who-we-are/our-members
[3] According to EPRA's own assessment after publication of the Draft proposal on 26 February 2025

economic activities that have genuine long-term benefits for society, reduce risks and enhance returns.

FOCUS I: THE REPORTING

Under the current system, the construction and real estate activities are grouped together and included in Section 7 of the Technical Screening criteria (TSC) and comprises of seven activities which can be of three types:

- Stand alone
- Enabling: activities that directly enable other activities to make a substantial contribution to an environmental objective
- Transitional: activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Each activity shall have a specific TSC for each of the environmental objectives. The draft proposal is a unique opportunity to make sure that the forthcoming framework will be simpler.

REDUCTION OF THE ADMINISTRATIVE BURDENS

The carve out offered in the new proposal is a good opportunity for market participant to use the taxonomy in a simpler way but it will be even more efficient if some key elements are followed:

A. Creation of a coherent framework

Alignment on the scope of application – As a general comment, we consider that the EU Taxonomy threshold should be the same as established in the Non-Financial Reporting Directive which is 500 employees, and the Corporate Sustainable Reporting Directive (CSRD) should also apply the same scope.

If not, we fear that companies already covered by NFRD will take a step backward and no be covered anymore.

Update of the Climate Delegated Act – The Climate Delegated Act should be updated to incorporate the guidelines outlines in Commission notice C/2023/267 concerning the use of proxies when Energy Performance Certificates (EPCs) are unavailable[4]. Indeed, it would bring legal certainty and ensure, that established building standards such as LEED, BREEAM, and DGNB, which can demonstrate compliance with the TSC, are formally accepted as valid alternatives for meeting the TSC requirements.

To do so, we invite the European Commission to follow the Platform on Sustainable Finance's recommendations[5] which allow proxies such as high-ambition green building certification systems to demonstrate equivalent ambition levels, especially outside the EU while the EPC framework is strengthened. But to do so, some clear guidance is needed on which proxies can be used and how they apply across jurisdictions, ensuring consistency within the EU, proxies should be used cautiously, as Nearly Zero Emissions Buildings (NZEB) thresholds and methodologies

[4] The consultation fully alignes with EPRA's recommendations for the ongoing mandate of the European Commission. See https://www.epra.com/application/files/4417/1757/8809/EPRA_Full_EU_Elections_Manifesto_2024.pdf

[5] See : https://finance.ec.europa.eu/document/download/a3e72e4c-f2fb-4400-b06f-f7f10dc2cd09_en?filename=250108-sustainable-finance-platform-draft-taxonomy-report_en.pdf

remain unaligned. To prevent inconsistencies and potential manipulation, the use of private certifications should be limited and carefully regulated.

More clarity between "major renovation" and "deep renovation" – The EU Taxonomy for the renovation of buildings is linked to the term "major renovation" as per the EPBD of 2010 but also its recast from 2024. The EPBD does not prescribe a uniform definition of a major renovation but enables Member States to provide one[6]. Companies and financial institutions that wish to, or are required to, report their EU Taxonomy-alignment for the buildings they renovate need to refer to national requirements of a major renovation set out by each Member States where those buildings are located. Currently the definition of a "major renovation" in the EPBD allows Member States to define the term based on either a percentage of the building's surface envelope or its value. This poses several drawbacks:

- Confusion between major and deep renovations. The term major and deep renovations are used interchangeably, and the definitions of the terms aren't clear[7] to market participants or regulators.
- Allowing Member States to choose their definition could lead to inconsistencies in how renovations are classified and managed across the EU.

Ensuring that the worst-first approach from the Energy Performance Directive is reflected in the EU Taxonomy –Some interoperability between the sectors is clearly needed to foster investment in the renovation of buildings. To deliver a coherent framework and to ensure the success of the new EU Taxonomy framework the real annual energy performance measurements have to be integrated into the EU Taxonomy framework which would clearly help investors to better understand the true climate impact of the assets in their portfolio.

This requires addressing key challenges, including standardizing measurement criteria (e.g. defining the surfaces to be accounted for) and considering occupancy rates and usage intensity, which significantly impact consumption. While smart metering is becoming more widespread and can facilitate data collection, there must be clarity on how this transition impacts existing reporting framework.

B. The new framework and the wider financial regulations

There is a persisting uncertainty in the market regarding low energy renovations viewed as non-sustainable activities. It is clearly a barrier for financial institutions to increase their lending volumes. The reduction in carbon emissions in real estate is primarily achieved by transforming existing building stock, improving its energy performance, and decreasing its carbon emissions. Several tools exist to help the sector plan its transition pathways, calculate performance and report on progress.

Furthermore, we would like the Commission to consider "redevelopment" as an economic activity to be added to Chapter 7. A separate category would ensure that redevelopment's benefits (such as reduced resource consumption) are properly recognized rather than being overshadowed by new construction standards.

Basel IV requires banks to hold more capital against riskier assets. Lending for CapEx, including refurbishment loans, is generally considered as riskier compared to financing stable, income-generating assets. Consequently, the capital requirement for CapEx loans can be prohibitive,

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[6] See article 2 (22) EPBD Recast 2024 last sentence "Member States may choose to apply point (a) or (b)
[7] See article 2 (20) & (21) EPBD Recast 2024

meaning banks must allocate more capital to cover the risk of such loans. The requirement makes CapEx lending less attractive as it reduces banks' profitability on these loans.

Given the new proposal of the European Commission, EPRA and its member fully support the new introduced requirements allowing financial institution not to assess compliance with the EU Taxonomy of activities that are not financially material for their business. But we want to highlight that financing post-refurbishment, rather than during, aligns with Basel IV's emphasis on reducing exposure to asset classes that may be uncertain in terms of completion and value. In contrast, loans for renovation introduce uncertainties regarding construction timelines, cost overruns, and post-renovation property values, making such loans riskier under regulatory metrics.

This is why we invite policymakers in being careful about the coherence of the newly introduced requirements with the broader banking framework.

ENSURING THE ACCURACY OF THE KPIs AND POSTPONEMENT

As we mentioned above, there is a clear need to create some common definition. As mentioned in the explanatory memorandum of the draft proposal, the Disclosures Delegated Act requires financial undertakings to use the KPIs disclosed by their counterparties when they calculate their own KPIs, including the Green Asset Ratio (GAR). In addition, the Sustainable Finance Disclosure Regulation (SFDR) requires financial market participants to use the KPIs disclosed by investee companies for assessing the level of Taxonomy-alignment of financial products making green claims.

We do invite also policymakers to pay attention while discussing the draft proposal to the broader definition of a "sustainable activity". According to the current Taxonomy Regulation, an activity can be considered environmentally sustainable if: (i) it "contributes substantially" to one or more of the objectives; (ii) it "does not significantly harm" (DNSH) any of the objectives; (iii) it is carried out in accordance with minimum social safeguards; and (iv) it complies with technical screening criteria. As a result, an environmentally sustainable investment is defined as "investment in one or several economic activities that qualify as environmentally sustainable" as per the taxonomy.

The SFDR definition of "sustainable investment" is thus broader[8] than the taxonomy definition on "environmentally sustainable investment". To create a more simplified framework we invite policymakers to unify the two definitions, seizing the opportunity of the draft proposal and the future review of the SFDR framework.

Under the current framework, non-financial companies, such as listed real estate companies, are mandated to disclose the proportion of environmentally sustainable economic activities that align with the EU Taxonomy criteria. For aligned assets, the three key performance indicators (KPIs) are Turnover, Capital Expenditure (CapEx) and Operating Expenses (OpEx).

[8] The SFDR introduces disclosure requirements for financial market participants (FMPs) on the sustainability of the investment products they offer in the EU. FMPs must indicate whether products "promote environmental or social characteristics" (Article 8 products) or have a "sustainable investment objective" (article 9 products). The latter are required to invest only in "sustainable investment", defined in the SFDR as an investment "in an economic activity that (i) contributes to an environmental or social objective; where (ii) the investment does not significantly harm any environmental or social objective; and where (iii) investee companies follow good governance practices".

However, the percentage currently reported by listed real estate companies lack detailed breakdowns of these three KPIs. Furthermore, they are subjective, which makes comparability challenging.

Together at EPRA, we are committed to ensure that users of the disclosed information have access to comparable and harmonised data which will lead to better decision-making. Therefore, we developed tables (see Annex of the consultation) which might help the European Commission to feed the discussion around reporting with the objective of creating a coherent reporting method.

We do believe that this approach, developed as a voluntary guidance, will standardise disclosure, making them comparable and ultimately help achieve the Commission's objectives, providing greater benefits for relevant stakeholders[9].

FOCUS II DNSH CRITERIA

Together with our members, we do consider that it is essential to simplify the Do not significant harm (DNSH) principle.

On "Pollution" for development activities – too many criteria which are not evaluable for the moment in the different EU countries because of the lack of pollution information related to materials. Furthermore, we also consider that, as a matter of simplification, the Appendix C should not be applicable to the real estate industry but should only apply to the manufacturing industry.

Additionally, on "Circular Economy", the expected demonstration about circularity is unclear and should be removed if not clarified

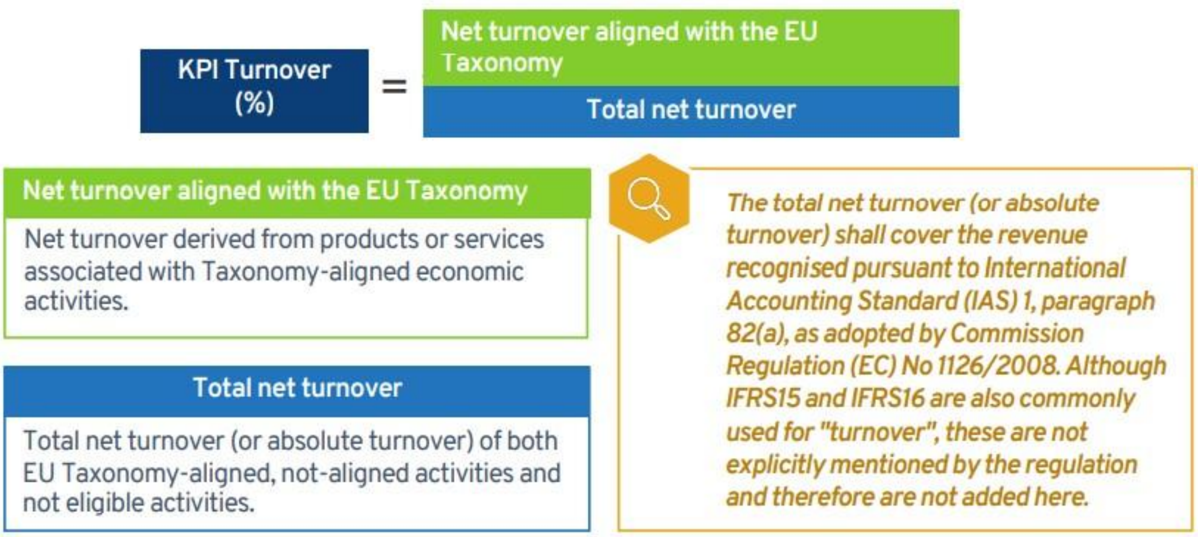
[9] For further details, please see Annex and the methodology developed together with our members

Annex – EU Taxonomy – Definition of Reporting Metrics

Non-financial companies have to disclose the proportion of environmentally sustainable economic activities that align with the EU Taxonomy criteria. The three KPIs for the aligned assets are the Turnover, CapEx and OpEx. EPRA gathered feedback from its member in order to further detail their definition and scope for the listed real estate industry. The primary reason for this initiative is to ensure that users of the disclosed information have access to comparable and harmonized data, leading to better decision-making. The figures (11, 12 and 14) below have been extracted from the EPRA EU Taxonomy Guide10. They include the definitions of each metric as stated in the Delegated Act to the Article 8 of the EU Taxonomy.

TURNOVER

Figure 11– KPI Turnover[1]



According to the definition, the Net turnover aligned with the EU Taxonomy is derived from products or services associated with Taxonomy-aligned economic activities. However, no segregation is made based on the nature and source of the revenue. To add more transparency and comparability between companies, and based on the EU Taxonomy Guidelines, we have built this table to itemize the revenue for Real Estate activities:

TOTAL NET TURNOVER aligned with the EU Taxonomy	
Ownership/Acquired and Refurbished properties*	
Ownership/Newly developed for Hold to Let – "HFL"	
Newly developed Hold for Sale - "HFS"	
Other (Non-rental business income)**	
Total Net Turnover aligned with the EU Taxonomy	

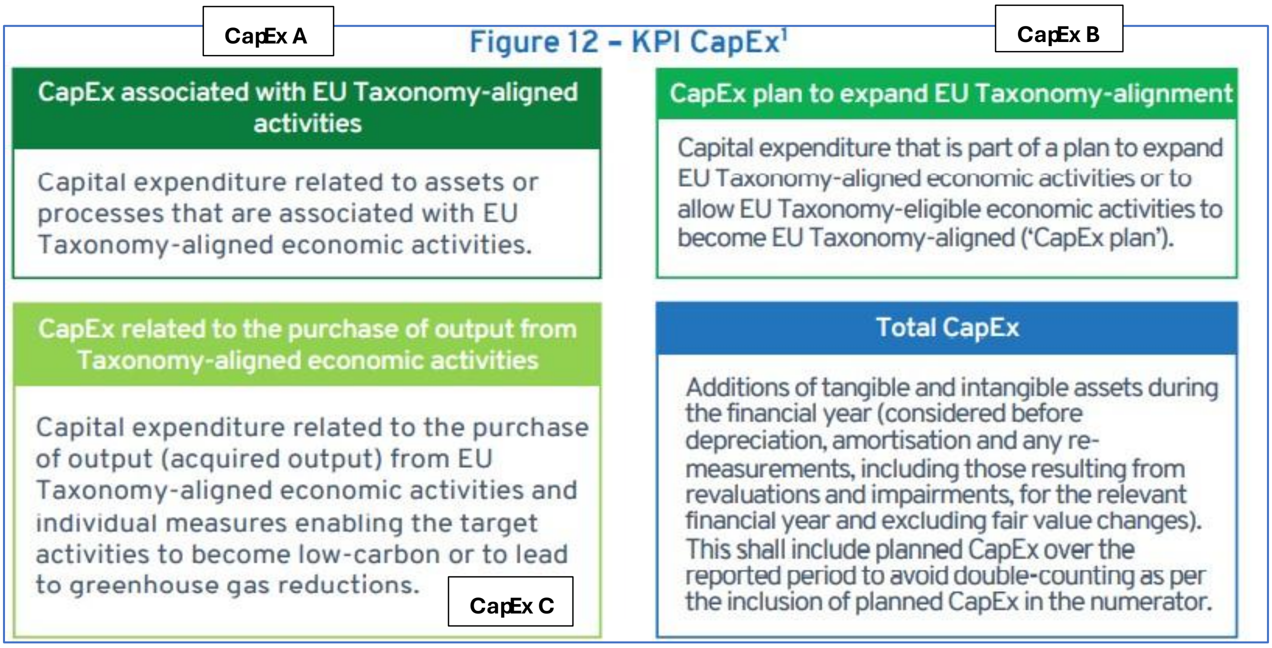
* EPC A (or BREEAM or LEED where EPC are not available) or Top 15%

** E.g., revenue from sales of electricity generated from solar panels installed on investment properties

10 EPRA_EU_Taxonomy_Guide.pdf

CapEx

The EU taxonomy distinguishes between CapEx A and B as follows:



Suggestion to itemise **CapEx A and B** as follow (**CapEx C** has already been itemised by the EU Commission[11]):

	CapEx A, by activity, fully aligned	CapEx B, by activity, transitional	CapEx C, by EU taxonomy, fully aligned	Group
Construction				
Renovation				
Acquisition				
Ownership				
Installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)				
Installation, maintenance, and repair of energy efficiency equipment				
Installation, maintenance, and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings				

[11] EU Taxonomy Calculator (europa.eu)

Installation, maintenance, and repair of renewable energy technologies				
Total Green CapEx				

The objective of this table is not to provide guidance on the application of the EU taxonomy. Instead, the table itemises CapEx A and B for different classes of real estate activities. This approach contrasts with the EU's three categories, which focus on installation, maintenance, and repair. Through this method, EPRA aims to promote standardisation and harmonisation across the industry. Furthermore, this approach enhances comparability among real estate investors by distinguishing between CapEx-rich activities and those requiring less CapEx. It's important to note that with the inclusion of CapEx C, we still achieve full compliance with the EU taxonomy.

OpEx

The EU taxonomy distinguishes between OpEx A and B as follows:

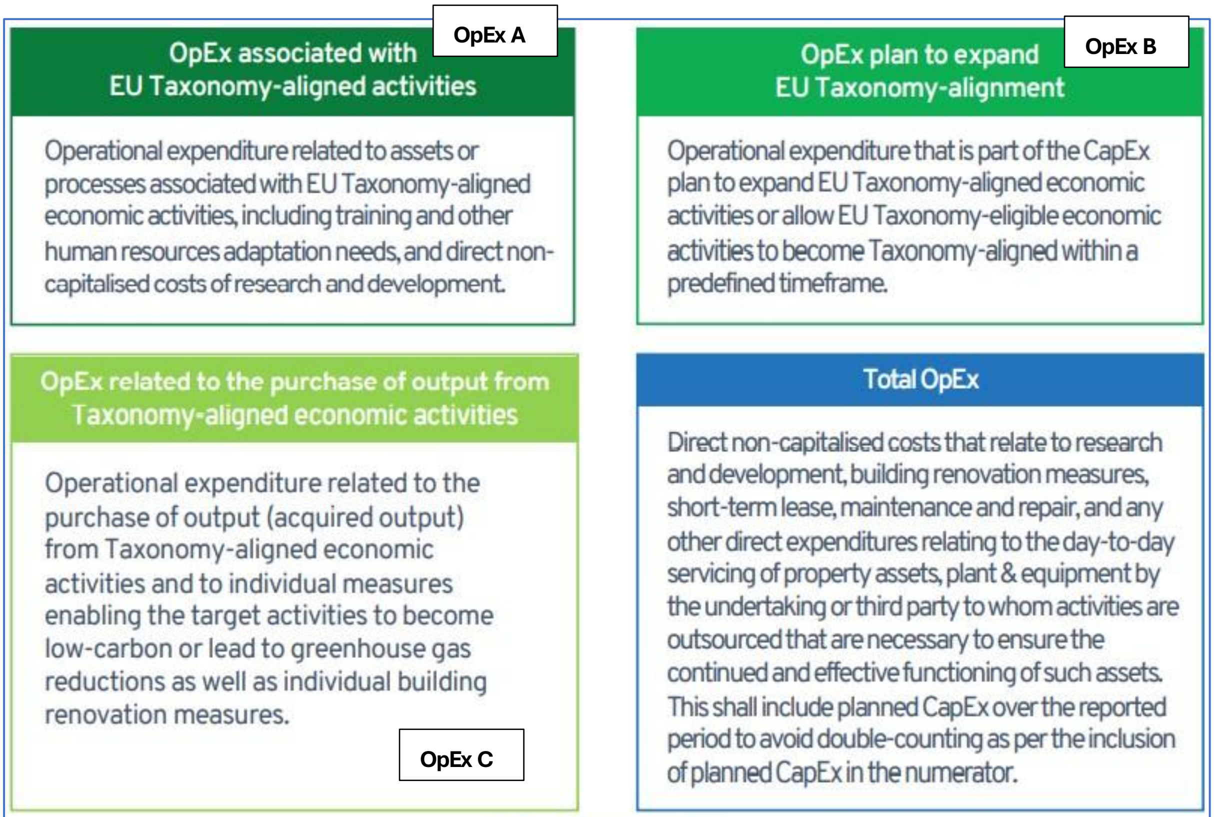


Figure 14 – KPI OpEx[1]

Suggestion to itemise **OpEx A and B** as follow (**OpEx C** has already been itemised by the EU Commission[12]):

	OpEx A, by activity, fully aligned	OpEx B, by activity, transitional	OpEx C, by EU taxonomy, fully aligned	Group
Construction				
Renovation				
Acquisition				
Ownership				
Installation, maintenance, and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)				
Installation, maintenance, and repair of energy efficiency equipment				
Installation, maintenance, and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings				
Installation, maintenance, and repair of renewable energy technologies				
Total Green OpEx				

The objective of this table is not to provide guidance on the application of the EU taxonomy. Instead, the table itemises OpEx A and B for different classes of real estate activities. This approach contrasts with the EU's three categories, which focus on Installation, maintenance, and repair. Through this method, EPRA aims to promote standardisation and harmonisation across the industry. It's important to note that with the inclusion of OpEx C, we still achieve full compliance with the EU taxonomy.

[12] EU Taxonomy Calculator (europa.eu)