



UNEP
FINANCE
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POSITIVE IMPACT REAL ESTATE INVESTMENT FRAMEWORK

A tool for holistic impact analysis
Principles for Positive Impact Finance
Implementation Guidance

November 2018



Investor Group on
Climate Change

IIGCC

The Institutional Investors
Group on Climate Change



ASIA
INVESTOR
GROUP
ON
CLIMATE
CHANGE



Principles for
Responsible
Investment



RICS

POSITIVE IMPACT REAL ESTATE INVESTMENT FRAMEWORK

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

November 2018



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CONTENTS

Introduction to UNEP FI and Collaborating Institutions.....	4
Executive summary.....	6
1. Rationale for an Impact based real estate investment framework.....	8
1.1. The Positive Impact Initiative	9
1.2. Investor motivation for developing impact-based strategies	10
2. Impact-based Real Estate Investment Framework	12
2.1. Clarity of Impact	14
2.2. Market and Sustainable Returns.....	17
2.3. Measurement of Impact.....	19
2.4. Additional Finance and/or Impact Flows	21
3. Applying the Impact-based Real Estate Investment Framework	23
4. Challenges in developing impact-based real estate investment strategies.....	28
Appendix A: Reference Resources	29

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INTRODUCTION TO UNEP FI AND COLLABORATING INSTITUTIONS

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 230 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 \(PWG\)](#) 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).

On this – and many other projects – UNEP FI PWG works with a group of liked minded investment organisations including the Royal Institution of Chartered Surveyors (RICS), the Principles for Responsible Investment (PRI), and the Global Investor Coalition on Climate Change 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.

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. AIGCC represents the Asian investor perspective in the evolving global discussions on climate change and the transition to a greener economy. See www.aigcc.net and [@AIGCC_update](https://twitter.com/AIGCC_update)

About Ceres Investor Network on Climate Risk and Sustainability.

The Ceres Investor Network on Climate Risk and Sustainability comprises more than 161 institutional investors, collectively managing more than \$25.2 trillion in assets, advancing leading investment practices, corporate engagement strategies and policy solutions to build an equitable, sustainable global economy and planet. The Network is a project of Ceres, a sustainability nonprofit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Through powerful networks and advocacy, Ceres tackles the world's biggest sustainability challenges, including climate change, water scarcity and pollution, and human rights abuses. For more information, see <https://www.ceres.org/networks/ceres-investor-network>

About the Investor Group on Climate Change.

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors and advisors, managing over \$2 trillion in assets under management and focusing on the impact that climate change has on the financial value of investments. IGCC aims to encourage government policies and investment practices that address the risks and opportunities of climate change. www.igcc.org.au @IGCC_Update

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 over 2,100 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

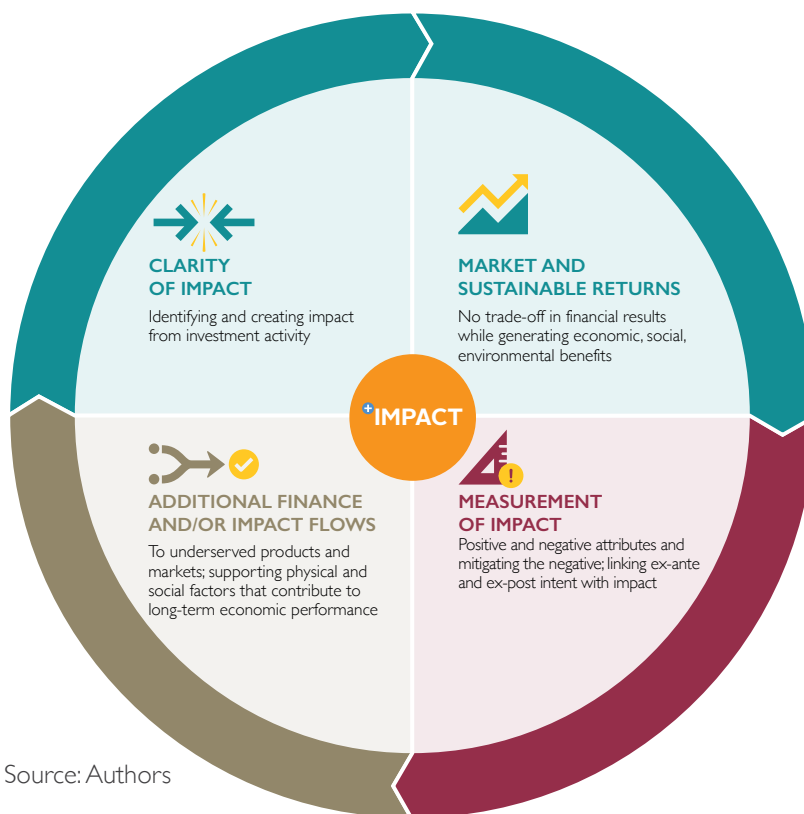
About the Royal Institution of Chartered Surveyors (RICS).

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. The RICS name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments. For more information, see www.rics.org

The Positive Impact Initiative is promoting the idea that new lines of business and impact business models need to be developed and financed to meet the SDGs. The Initiative seeks to move the financial sector towards a more thorough and deeper integration of impact analysis in decision-making. Institutions can thus step up their positive impact on the economy, society and the environment, and actively participate in bridging the financing gap for sustainable development. Positive Impact seeks to deepen the practice of ESG integration, in particular so that measurable environmental, economic and societal impacts – both positive and negative – are identified and measured ex-ante and ex-post independently of financial materiality (though the two might overlap).

To help property investors develop and implement an impact-based approach in their investments, an **action-oriented investor framework** has been developed to help guide decisions at any stage of the property investment cycle. The four Investment Objectives offer a way for institutions to frame decision-making for more immediate-term investment activities and longer-term aspirations that derive from Positive Impact’s holistic and impact-based approach.

FIGURE: POSITIVE IMPACT REAL ESTATE FRAMEWORK INVESTMENT OBJECTIVES



For each of the four Investment Objectives, the Framework provides a number of **‘leading questions’ and recommended actions** to be considered by investment practitioners. They can support investors in the definition and development of their specific impact-based real estate investment approach. It is a guidance tool for institutions to 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.

TABLE: POSITIVE IMPACT FRAMEWORK GUIDANCE

Guidance for real estate investors on developing a positive impact-based investment strategy

Investors should use the following as framing questions and recommendations to support the development of their impact-based approach.



CLARITY OF IMPACT: Does my impact-based approach clearly determine and describe my intended impacts and outcomes?

Investors should:

1. Use the UNEP FI *PI Impact Radar* to map, based on materiality assessment, the relevant impact categories they intend to address either through their existing investment activities and/or to identify potential new investment in underserved markets. This process enables investors to identify systematically the negative and positive impacts across the three pillars of sustainable development.
2. Define investment themes to address the relevant impact categories (including mitigation actions, where negative), either by focusing on activities specific to their real estate investment sector or by developing new products for underserved markets. These could include, for example:
 - Energy efficiency and clean energy
 - Labour conditions and skills development
 - Social / affordable housing
 - Urban regeneration (place making, community development, safety and equity)

- Formal settlements
- Resource efficiency
- Wellness and well-being

The investment themes should include an understanding of who will experience the outputs and whether they are underserved in relation to the outcome.

3. Identify relevant metrics and indicators and set appropriate targets defining the expected outputs for each investment theme/impact category within a clearly identified timeframe. *(See measurement section below)*
4. For the sake of completeness and ease of communication, further frame identified impacts and outcomes within macro objectives such as the Sustainable Development Goals (SDGs) or the New Urban Agenda. Ideally, they should identify relevant SDG targets which are specifically aligned with the impact category.



MARKET AND SUSTAINABLE RETURNS: Does my investment approach meet market norms and fiduciary standards while tangibly contributing to sustainable development?

Investors should:

1. Analyse and collect evidence, whether quantitative or qualitative, that their impact-based approach delivers financial risk adjusted as well as sustainability returns.
2. Describe how their impact-based approach add value to their investment strategy, such as in market demand or reputation.
3. Analyse and describe the risks associated to the delivery of their impact-based approach and how that might affect meeting financial and sustainability expectations (i.e., outputs and outcomes)

Investors could:

4. Consider some investment return discount to enable a wider coverage and potentially additional geographical markets and / or delivery pathways such as a public private partnership to cover for risks and first losses if targeting underserved markets.
5. Develop internal impact-based management protocols, which might include, for example determination of remuneration metrics for impacts achieved, property management contracts tied to impact performance, etc.



MEASUREMENT OF IMPACT: Do I have clear and transparent methodology(ies) to measure ex-ante and ex-post the expected outputs, and intended outcomes?

Investors should:

1. Review existing methodologies and tools that can support the measurement of the relevant positive and negative economic, societal and environmental benefits to identify those most relevant for the selected investment theme(s). *(See Annex A for information on selected supporting resources.)*
2. Identify appropriate and available metrics and indicators related to the selected impact categories. Metrics and indicators can be both quantitative and qualitative or narrative based and should be developed depending on data availability, completeness and quality and with a view to ensuring comparability between measurements.
3. Set clear ex-ante intentional targets, and measure ex-post the actual outputs (and outcomes) achieved and mitigated in any of the three spheres of sustainable development. Consider setting science-based targets.

Investors could:

4. Define the extent of supply chain coverage based on control and seek to apply leverage and influence, for example implement owner and tenant protocols for data collection and increase in reporting frequency.
5. Introduce third-party verification of operational and quantitative metrics across all positive and negative impacts.
6. Identify the methodological challenges that need further attention, and assign relevant resources to address these in time.



ADDITIONAL FINANCE AND/OR IMPACT FLOWS: Has this approach enabled my institution to go beyond a ‘business as usual’ or ‘best practice as usual’ trajectory – has it yielded impact and finance flows which otherwise would not have been delivered? Does it cover underserved markets?

Investors should:

1. Assess if the impact-based approach is ‘additional’ in finance (markets) and in impact (thematic) that stakeholders can objectively measure, either relative to institutions or absolute to the sector? For example, in
 - scale (a greater quantity to presently served markets);
 - new markets (serving undercapitalised sectors/ sub-sectors);
 - 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).
2. Assess whether the impact-based approach specifically address underserved / undercapitalised impact themes, geographical markets, and/or property types/ sub-sectors?

KEY

Questions institutional investors, asset owners, direct investment managers and REITs should ask themselves.

Questions investment managers and REITs should ask themselves.

Questions institutional investors should ask of their investment managers and REITs.

I. RATIONALE FOR AN IMPACT BASED REAL ESTATE INVESTMENT FRAMEWORK

I.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.

The Positive Impact Principles require a holistic approach: appraisal of both positive and negative impacts, consideration of all three dimensions, i.e., economy, society and environment, and transparency and assessment of methodologies and impact achieved as a core requirement.

PRINCIPLE ONE: Definition

Positive Impact Finance is that which serves to finance Positive Impact Business. It is that which serves to deliver a positive contribution to one or more of the three pillars of sustainable development (economic, environmental and social), once any potential negative impacts to any of the pillars have been duly identified and mitigated. By virtue of this holistic appraisal of sustainability issues, Positive Impact Finance constitutes a direct response to the challenge of financing the Sustainable Development Goals (SDGs).

PRINCIPLE TWO: Frameworks

To promote the delivery of Positive Impact Finance, entities (financial or non-financial) need adequate processes, methodologies, and tools, to identify and monitor the positive impact of the activities, projects, programmes, and/or entities to be financed or invested in.

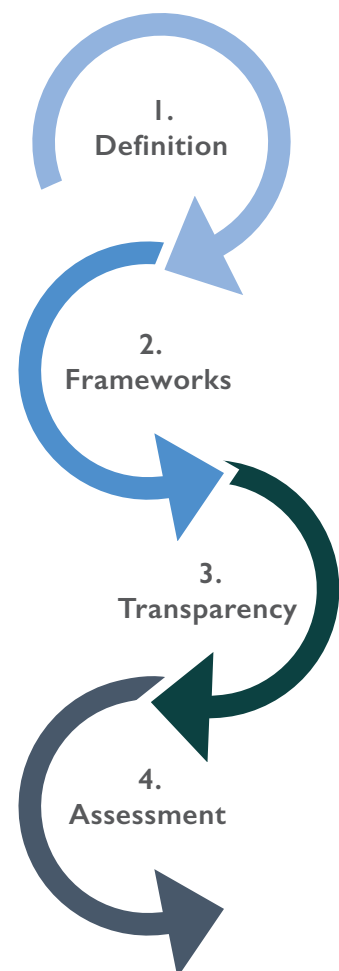
PRINCIPLE THREE: Transparency

Entities (financial or non-financial) providing Positive Impact Finance should provide transparency and disclosure on:

- The activities, projects, programs, and/or entities financed considered Positive Impact, the intended positive impacts thereof (as per Principle 1);
- The processes they have in place to determine eligibility, and to monitor and to verify impacts (as per Principle 2);
- The impacts achieved by the activities, projects, programs, and/or entities financed (as per Principle 4).

PRINCIPLE FOUR: Assessment

The assessment of Positive Impact Finance delivered by entities (financial or non-financial), should be based on the actual impacts achieved.



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), and some can be considered building blocks for impact-based approaches and Positive Impact finance.

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 issued¹. 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.

Alongside this investor resource specific to real estate, concurrent activities from the UNEP FI membership are focused on frameworks for other asset classes. More information on Positive Impact Initiative activities can be found on the UNEP FI website.

1.2. INVESTOR MOTIVATION FOR DEVELOPING IMPACT-BASED STRATEGIES

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 duty². 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.

An impact-based approach seeks to deepen the practice of ESG integration, in particular so that measurable environmental, economic and societal impacts – both positive and negative – are identified and measured ex-ante and ex-post independently of financial materiality (though the two might overlap). It places holistic returns, i.e. both providing environmental and social outcomes while securing market level risk adjusted returns, as co-equal considerations in investment selection and management. 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 and deliver measurable real outcomes to the economy and society.

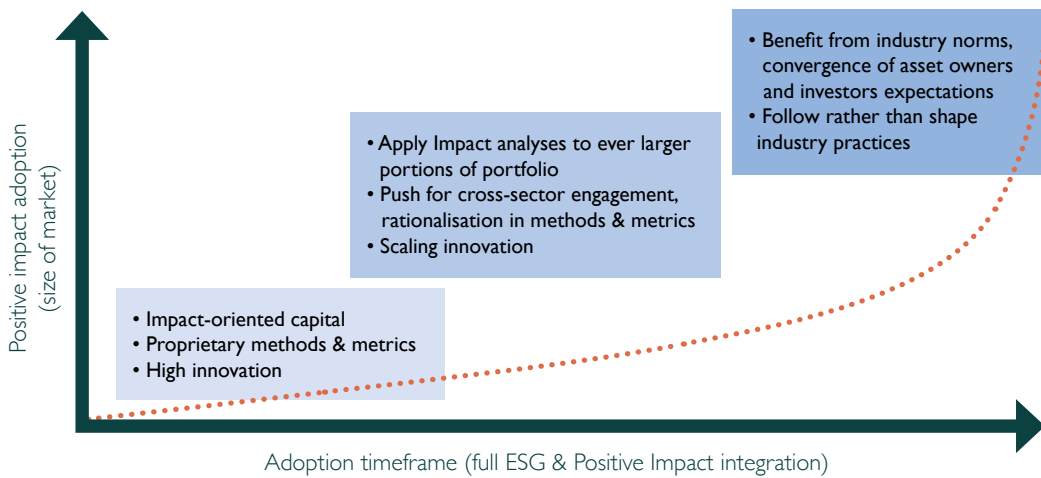
Positive Impact applies to all investment activities within institutions, though in practice this process is presently in its early stages. Institutions will be subject to learning curves in building skills and capacity internally for an impact-based approach and for improved alignment between asset owners, asset managers, and others within the investment value chain. Analogously, for the industry as whole, as illustrated in Figure 1.1 (see below), early adopters and close followers will offer proof of concept and then generate momentum and acceptance from the mainstream³.

¹ See the Climate Bonds Initiative for more information: www.climatebonds.net/

² Fiduciary Duty in the 21st Century, www.fiduciaryduty21.org

³ 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 1.1: 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. The framework presented on the following pages is to help guide investors with actions to facilitate such a change. 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.).

DEVELOPING AN IMPACT-BASED INVESTMENT STRATEGY FOR REAL ESTATE

Actions investors can take as they orient themselves on the adoption curve for applying an impact-based approach.

1. **Clarify the rationale for their ambition to and interest in applying an impact-based approach. Typical rationale could include:**
 - a. Comply with evolving Fiduciary duty definitions by considering long term impact of investment activities and ESG integration in decision making
 - b. Generate additional value by capturing new growth opportunities
 - c. Respond to market appetite for labelled products and investments that generate financial and positive outcomes to society, the environment, and the economy
 - d. Contribute to investment solutions in underserved markets
 - e. Shift ‘best practice’ toward explicit planetary and societal thresholds
2. **Start by identifying the key challenges they will need to be managed within their institutions and develop specific action plans to address there. These could range from:**
 - a. Capacity of internal resources
 - b. Access to proprietary or sector-accepted methodologies
 - c. Investor and investee relations (building the business case)
3. **Asset Owners and Investment Managers can support and operationalise their impact-based approach by the following steps:**
 - a. Communicate and signal their preference for Positive Impact products and instruments
 - b. Engage with investee companies on Positive Impact business models and strategy
 - c. Screen portfolios and allocate capital towards Positive Impact companies and activities
 - d. Develop new mandates and products targeting new or under-supplied capital markets
 - e. Engage with public entities and policy makers to help scale up Positive Impact finance and business models

2. IMPACT-BASED REAL ESTATE INVESTMENT FRAMEWORK

To operationalise the Positive Impact Principles, an action-oriented framework based on four Investment Objectives has been developed. These objectives can help guide decisions at each stage of the property investment cycle. They build on existing ESG integration processes but go further in their reach. The objectives offer a way for institutions to frame decision-making for more immediate-term investment activities and longer-term aspirations that derive from Positive Impact’s holistic and impact-based approach.

This proposed framework has been shaped by stakeholder insight generated through discussion groups and workshops, case studies, and concept and consultation papers. The case studies provided learning from leading institutions and good practice examples that identify, monitor and measure the environmental and/or social and/or developmental impacts (positive and negative) generated by real estate investments, and the extent to which institutions have created overt alignment between financial and impact goals.

The impact-based framework is a guidance tool for institutions to 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. It supports both a ‘top down’ 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’.

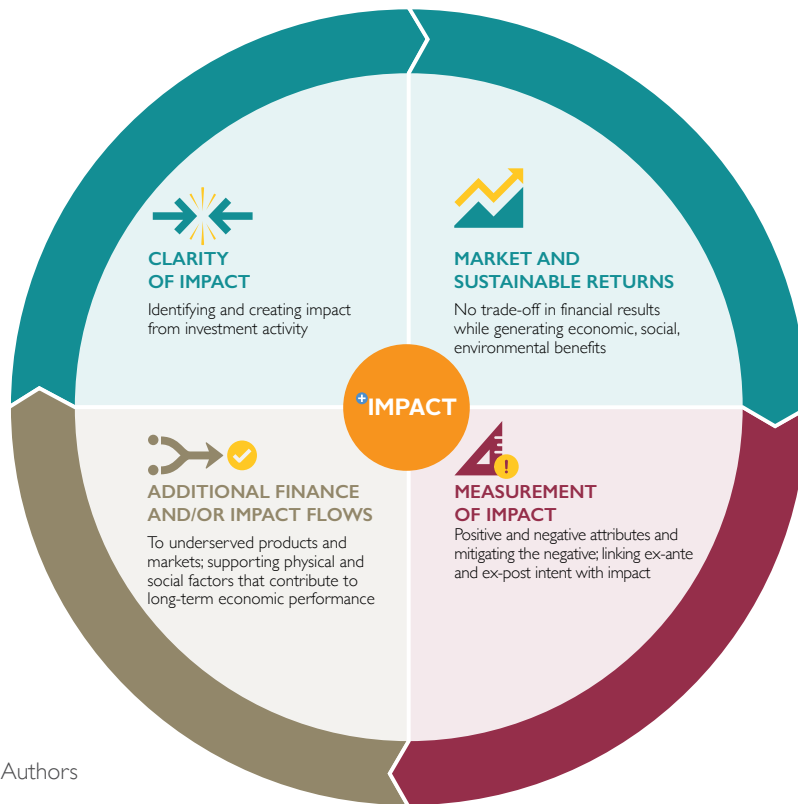
The Investment Objectives link to the core motivation of delivering positive impact, and inevitably there is a degree of overlap and inseparability. This approach can inform investors’ *theory of change* to move up along the positive impact adoption pathway. Depending on where an institution sees itself on the adoption curve, not each objective may be uniformly achieved, but all can be considered to some degree, no matter their position.

The Framework elements can be grouped by investment thesis, outputs, and outcomes⁴; and as shown in Figure 2.1 below, move clockwise in a logical progression from the top left circle:

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	Clarity of impact (intentionality) Market & sustainable returns
Outputs:	The capital investment results (project or portfolio), and the measured positive and negative impact generated or mitigated	Measurement of impact
Outcomes:	Progress steps and shifts in institutional and societal sustainability	Additional finance and/or impact flows

⁴ For the purposes of reading this guide, 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 training delivered, etc. Outcomes are the hoped-for changes and benefits from the outputs: cleaner air, reduced emissions, safe environments, equitable cities, etc. Outcomes may also be referred to as ‘impact indicators’. Outputs and outcomes might also be thought of as the difference between micro and macro results.

FIGURE 2.1: POSITIVE IMPACT REAL ESTATE FRAMEWORK INVESTMENT OBJECTIVES



Source: Authors

Operationalising the Investment Objectives requires both asset owners and asset managers/investors (those that issue mandates versus those that implement them) to create the changes in investment practices that Positive Impact seeks to affect.

For each of the four Investment Objectives, the Framework offers a number of **‘leading’ questions and recommended actions** to be considered by investment practitioners. They are framing questions to support investors in the definition and development of their specific real estate impact-based investment approach:

INVESTMENT OBJECTIVES – Guideposts in defining and putting into practice an impact-based approach	
<p>CLARITY OF IMPACT (Principle 1, 2, 3, 4)*</p> <p>What impacts and outcomes I am aiming to deliver through my investment activities, and what is my theory of change to deliver these? Does my impact-based approach clearly determine and describe my intended impacts and outcomes?</p>	<p>MEASUREMENT OF IMPACT (Principle 2, 3, 4)</p> <p>Do I have clear and transparent methodology(ies) to measure ex-ante and ex-post the expected outputs, and to report the intended outcomes?</p>
<p>MARKET AND SUSTAINABLE RETURNS (Principle 1 & 2)</p> <p>Does my investment approach meet market norms and fiduciary standards while tangibly contributing to sustainable development?</p>	<p>ADDITIONALITY FINANCE AND/OR IMPACT FLOWS (Principle 1, 3, 4)</p> <p>Has this approach enabled my institution to go beyond a ‘business as usual’ or ‘best practice as usual’ trajectory – has it yielded impact and finance flows which otherwise would not have been delivered? Does it cover underserved markets whether defined by geographical or impact categories?</p>

*Positive Impact Principles, as defined in Section 1.1. – The Positive Impact Initiative

2.1. CLARITY OF IMPACT

Guidance for real estate investors on developing an impact-based investment strategy

Questions institutional investors, asset owners, direct investment managers and REITs should and could ask themselves.



CLARITY OF IMPACT: Does my impact-based approach clearly determine and describe my intended impacts and outcomes?

Investors should:

1. Use the UNEP FI *PI Impact Radar*⁵ to map, based on materiality assessment, the relevant impact categories they intend to address either through their existing investment activities and/or identify potential new investment in underserved markets. This process enables investors to identify systematically the negative and positive impacts across the three pillars of sustainable development.
2. Define investment themes to address the relevant impact categories (including mitigation actions, where negative), either by focusing on activities specific to their real estate investment sector or by developing new products for underserved markets. These could include, for example:
 - Energy efficiency and clean energy
 - Labour conditions and skills development
 - Social / affordable housing
 - Urban regeneration (place making, community development, safety and equity)
 - Formal settlements
 - Resource efficiency
 - Wellness and well-being

The investment themes should include an understanding of who will experience the outputs and whether they are underserved in relation to the outcome.
3. Identify relevant metrics and indicators and set appropriate targets defining the expected outputs for each investment theme / impact category within a clearly identified timeframe. *(See measurement section below)*
4. For the sake of completeness and ease of communication, further frame identified impacts and outcomes within macro objectives such as the Sustainable Development Goals (SDGs) or the New Urban Agenda. Ideally, they should identify relevant SDG targets which are specifically aligned with the impact category. *(See measurement section 2.3 below)*

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.

Investors should map impact of any/all investment, rather than take a starting point of targeting specific asset types or sectors that might also deliver extra-financial benefits. This 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). 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 this identification and mapping of impact, UNEP FI has developed a common reference⁶ for 22 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).

⁵ A tool that enables financial institutions to carry out positive and negative impact identification as they seek to holistically understand their sustainable development impacts.

⁶ A tool for holistic impact identification: The PI Impact Radar (UNEP FI, 2018). Available at www.unepfi.org/positive-impact/positive-impact/

The impact categories were chosen as they are universally viable, easily understandable and practicable in the market. The **PI Impact Radar** (Figure 2.2 below) shows the 22 impact categories which should be considered in any real estate strategy, transaction, and management activity. Not all will be equally weighted or relevant – nor perhaps even applicable – but as a process tool, each require investigation.

FIGURE 2.2: PI IMPACT RADAR



Source: UNEP FI

Chapter 3 provides a preliminary mapping of these impact categories relevant to the property sector, and their relationship to investment themes (intent) and prospective impact indicators.

CASE STUDY

Bridges Property Alternatives Fund III/ The Old Vinyl Factory

The Bridges Property Alternatives Fund III invests in properties and property-backed operating businesses that are helping to address pressing social and environmental challenges within the Bridges impact themes. The Fund's first investment was for 243 lower-cost sustainable residential units at The Old Vinyl Factory, with the intention to positively regenerate a site in Hayes, derelict for 40 years, near the new Elizabeth Line Station into central London. Bridges and its JV partner Hub, set both financial and impact goals and using a proprietary approach aligned to the Impact Management Project, established a strategy and a list of indicators to help measure the material effects (both positive and negative) of the investment on people and the planet, define intentions and constraints.

One key challenge identified at investment stage for this site, was to ensure the project demonstrated environmental leadership. The Boiler House was constructed out of cross laminated timber, a renewable material that significantly reduces the carbon footprint over traditional construction (equivalent to making the building carbon neutral for the first 30 years in operation). Moreover the dwellings have achieved a reduction in carbon emissions of 50% over a standard new build construction, and the development have been certified under BREEAM and the Code for Sustainable Homes.



2.2. MARKET AND SUSTAINABLE RETURNS

Guidance for real estate investors on developing a positive impact-based investment strategy

Questions investment managers and REITs should ask themselves.

Questions institutional investors should ask of their Property Investment Managers and REITs.



MARKET AND SUSTAINABLE RETURNS: Does my investment approach meet market norms and fiduciary standards while tangibly contributing to sustainable development?

Investors should:

1. Analyse and collect evidence, whether quantitative or qualitative, that their impact-based approach delivers financial risk adjusted as well as sustainability returns.
2. Describe how their impact-based approach add value to their investment strategy, such as in market demand or reputation.
3. Analyse and describe the risks associated to the delivery of their impact-based approach and how that might affect meeting financial and sustainability expectations (i.e., outputs and outcomes).

Investors could:

4. Consider some investment return discount to enable a wider coverage and potentially additional geographical markets and / or delivery pathways such as a public private partnership to cover for risks and first losses if targeting underserved markets.
5. Develop internal impact-based management protocols, which might include, for example determination of remuneration metrics for impacts achieved, property management contracts tied to impact performance, etc.

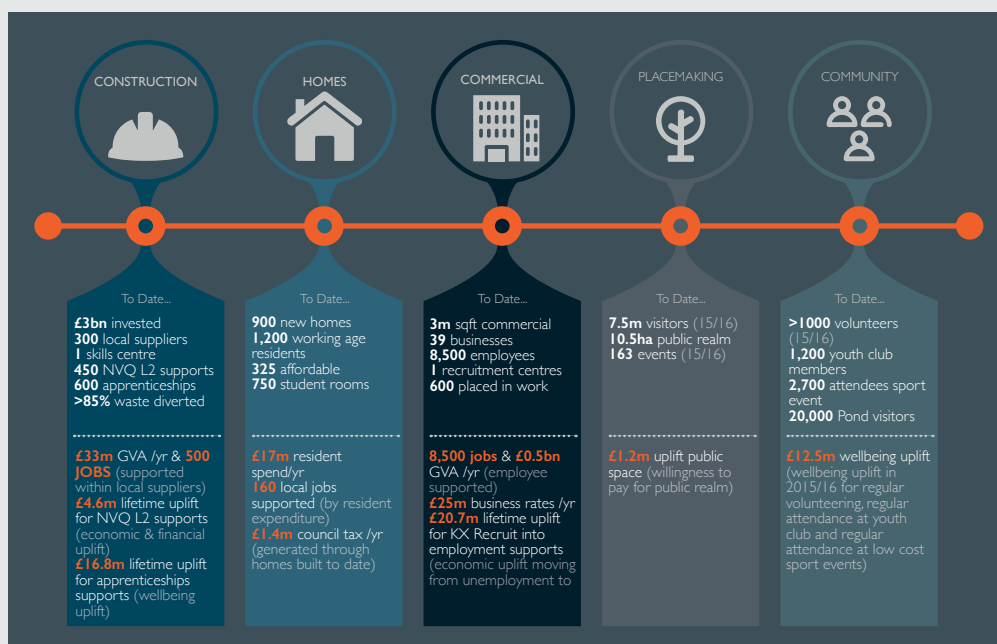
Positive Impact is meant to apply to all finance activities – not just a subset labelled as ‘impact capital’ that may be satisfied with below market returns. The goal is for Positive Impact to become integral to investors’ fiduciary duty and embedded in investment processes and decision-making when selecting 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.

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).

CASE STUDY

Argent and KCCLP/Kings Cross Central

Kings Cross Central is a 67-acre site near in Central London that is being transformed from an underused and derelict industrial area into a new mixed-use precinct with 44 major new buildings comprising nearly 2,000 new homes, shops, offices, galleries, bars, restaurants, schools, and university. Major heritage structures have been renovated and over 40% of the new estate is public realm. The lead developer within the Kings Cross delivery partnership, Argent, commissioned an outside consultant to advise on and measure the impacts and benefits from their approach to placemaking and delivery of social, environmental and economic gain. It sought insight on how to value extra-financial impacts and how regeneration benefits might contribute to commercial outcomes.



The approach produced quantification and key findings from the regeneration activity at Kings Cross and offered investor return comparisons to other regeneration areas. It also highlighted some gaps and goals for further / future assessments, e.g., the need for better data and the importance of long-term tracking of outputs and outcomes.

2.3. MEASUREMENT OF IMPACT

Guidance for real estate investors on developing a positive impact-based investment strategy

Questions investment managers and REITs should ask themselves.

Questions institutional investors should ask of their Property Investment Managers and REITs.



MEASUREMENT OF IMPACT: Do I have clear and transparent methodology(ies) to measure ex-ante and ex-post the expected outputs, and intended outcomes?

Investors should:

1. Review existing methodologies and tools that can support the measurement of the relevant positive and negative economic, societal and environmental benefits to identify those most relevant for the selected investment theme(s). *(See Annex A for information on selected supporting resources.)*
2. Identify appropriate and available metrics and indicators related to the selected impact categories. Metrics and indicators can be both quantitative and qualitative or narrative based and should be developed depending on data availability, completeness and quality and with a view to ensuring comparability between measurements.
3. Set clear ex-ante intentional targets, and measure ex-post the actual outputs (and outcomes) achieved and mitigated in any of the three spheres of sustainable development. Consider setting science-based targets.

Investors could:

4. Define the extent of supply chain coverage based on control and seek to apply leverage and influence, for example implement owner and tenant protocols for data collection and increase in reporting frequency.
5. Introduce third-party verification of operational and quantitative metrics across all positive and negative impacts.
6. Identify the methodological challenges that need further attention, and assign relevant resources to address these in time.

Measurement creates a continuum from investor intent (i.e., identifying impact and nominating ex-ante parameters), to actual impacts achieved and mitigated in any of the three spheres of sustainable development. The ‘clarity of impact’ investment objective needs to be related to a more detailed level of indicators and metrics for ex-post assessment and reporting. Transparency is required both in this monitoring and reporting of the outputs achieved, as well as in the methodologies used to measure impact. Ideally performance data and processes would be third-party verified to increase trust and credibility.

Exact metrics, and matters of scope and boundaries, will not be prescribed through the Positive Impact initiative; rather, it will be up to users to make these selections clear. 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 utilize a combination of proprietary and industry-wide methodologies.

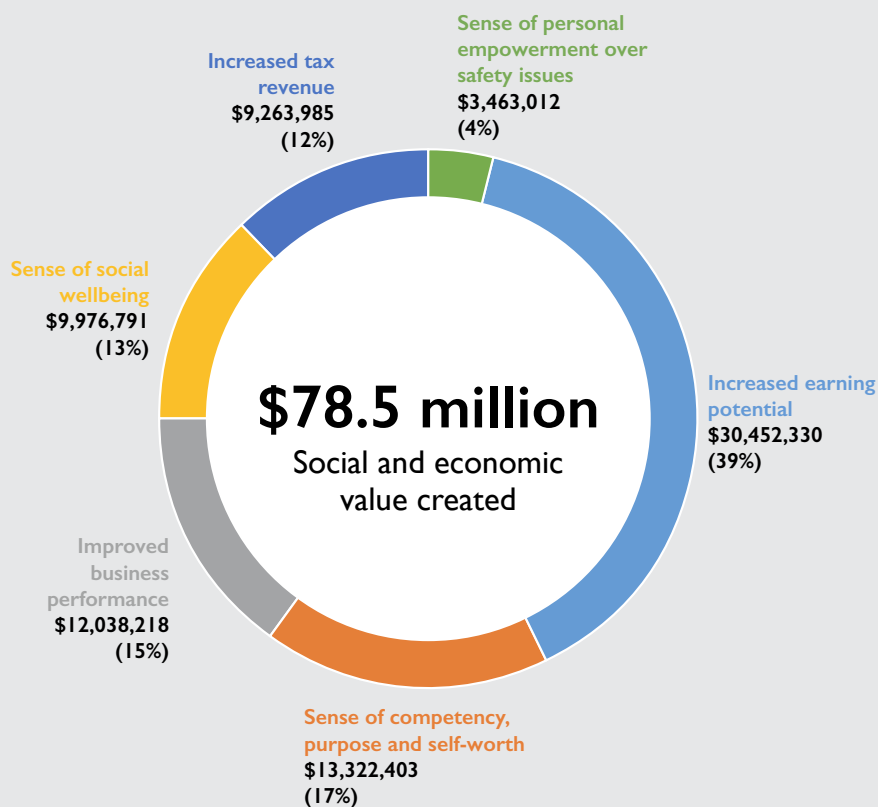
Chapter 3 offers a preliminary application of the investment framework, i.e., mapping between impact intent and potential impact metrics (headlines only, non-exhaustive). The agreed precise metric would need to be developed as would guidance on the methodology. As an illustration, it demonstrates the range and type of indicators that are possible.

CASE STUDY

Lendlease Corporation – Barangaroo South / Barangaroo Skills Exchange Social Return on Investment

The Barangaroo South Project is a 10 year \$AU6 billion, urban regeneration development on the western shores of Sydney CBD. Barangaroo is Australia’s first large scale carbon neutral community, incorporating cutting edge environmental technologies and construction techniques to be water positive, generate net zero waste to landfill and enhancing the wellbeing of the community. The Barangaroo Skills Exchange (BSX) Partnership (involving the state government and educational service providers) was conceptualised during the bid stage of the Barangaroo Project in 2008, as a response to the construction industry’s critical shortage of appropriately skilled trade labour. Operating since 2012, BSX sources, coordinates and delivers all aspects of skilling and training to support the construction phase of the Barangaroo South development activity. The success of the BSX has created a template for capacity building and upskilling for the benefit of the construction industry and having disrupted traditional approaches to workplace skilling and training has given the industry new tools to improve the capabilities of the sector.

Value by Outcome Theme



Tracking of progress against the social strategy targets has been ongoing during the project. An analysis found the BSX delivered \$78.5 million (AUD) in socio-economic benefit to the 8,900 workers, government and contractors during the initial assessment (2013-15). For every \$1.00 invested, the Partnership achieved a ratio of \$11.76 net socio-economic benefit.

2.4. Additional Finance and/or Impact Flows

Guidance for real estate investors on developing a positive impact-based investment strategy

Questions institutional investors, asset owners, direct investment managers and REIT could ask themselves.



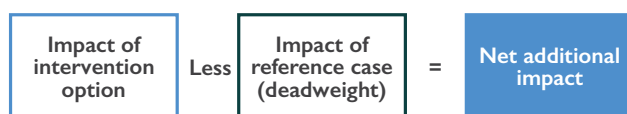
ADDITIONAL FINANCE AND/OR IMPACT FLOWS: Has this approach enabled my institution to go beyond a ‘business as usual’ or ‘best practice as usual’ trajectory – has it yielded impact and finance flows which otherwise would not have been delivered? Does it cover underserved markets?

Investors should:

1. Assess if the impact-based approach is ‘additional’ in finance (markets) and in impact (thematic) that stakeholders can objectively measure, either relative to institutions or absolute to the sector?
For example, in
 - scale (a greater quantity to presently served markets);
 - new markets (serving undercapitalised sectors/ sub-sectors);
 - 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).
2. Assess whether the impact-based approach specifically address underserved / undercapitalised impact themes, geographical markets, and/or property types / sub-sectors?

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 achieved⁷. Any measurement requires progression from a baseline measure to avoid crediting changes that would have happened anyway as shown in Figure 2.3 below.

FIGURE 2.3: ADDITIONALITY FRAMEWORK



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

⁷ 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.

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 that institutions are typically accustomed to measuring as part of assessing their business practices. 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, including post investment exit)⁸.

As an impact-based approach supports 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.

Additional finance and/or impact will ideally be 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.

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3. APPLYING THE IMPACT-BASED REAL ESTATE INVESTMENT FRAMEWORK

The table overleaf shows an application of the framework for a preliminary assessment of property sector impacts and indicators, and how investment decisions can respond to those. Note that the table does not differentiate between owner or investor/manager actions, nor actions at individual property cycle stages. It is solely a high-level treatment of how the process of impact categorisation can promote a thorough and holistic investigation into positive and negative impact and how they may bear on investment activity. It is structured as follows:

- The impact categories and definitions are drawn from the PI Impact Radar. The 22 impact categories capture all realms of sustainable development and were chosen for being (a) objective, neutrally formulated impacts rather than actions aimed at the achievement of those impacts, to allow their use for both positive and negative impact assessment; and (b) concepts that are universally valid and relevant, to allow their use by all financial institutions and all types of financial products and services.
- Investment themes (including distinct market segment which may be limited to specific products or geographies) relevant to real estate investors are aligned to the impact categories. Suggested headline indicators are provided, both for delivered impact measurement and potentially for assessing additional finance and / or impact flows. These are offered as preliminary guidance only. Details will be required for each metric (e.g., unit of measurement) as well as methodologies for measuring impact which may include establishing baselines and reference cases. Potential sources for detailed metrics and appropriate methodologies are provided in Appendix A and include, for example: Global Reporting Initiative (GRI) – topic-specific standards (Economic, Social and Environmental); GRI and the UN Global Compact – Business Reporting on the SDGs an Analysis of the Goals and Targets; and the GRESB Real Estate Assessment.
- As an impact-based approach can reveal the interconnectedness of the SDGs to investment themes and investor intent, notation on related SDG per impact category is provided. Referencing the SDGs in investment activities is seen by many investors as an effective communication tool and part of a narrative on impact.

	Clarity of impact, Market & sustainable returns (investment thesis)		Measurement of impact (outputs)			
	Impact Category	Definition	Negative Impacts (indicative/to be assessed and mitigated as needed)	Investment theme(s) & market segments	Headline indicators/metrics, ex-ante and ex-post <small>*Examples for additional finance/impact (requires baseline comparison)</small>	Related SDGs
Availability, accessibility, affordability and quality (degree to which a set of inherent characteristics fulfills needs) of...	Water	Population's accessibility to sufficient, safe, acceptable and affordable water for personal, domestic and economic uses. Safe water is water free from micro-organisms, chemical substances and radiological hazards that constitute a threat to a person's health.	<ul style="list-style-type: none"> Inappropriate development in water-stressed areas (e.g., water-intensive landscaping, building uses) Use of high embodied water materials produced in water-stressed regions 	Formal settlements (See also Impact Category – Natural resources)	<ul style="list-style-type: none"> Units (households, businesses) connected to piped (mains or distributed network) water services Water consumption per capita (referenced against average and low consumption metrics) Use of low-embodied water materials Improvement / changes in reliability, availability, and quality* Changes in household or business-level water expenditure* 	<p>6 Clean water and sanitation</p> <p>9 Industry, innovation & infrastructure</p> <p>11 Sustainable cities and communities</p>
	Food	Population's accessibility, physical, social and economic, to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life.	Conversion of productive agricultural in and near cities in favour of property development	Urban agriculture (e.g., vertical farming, community supported agriculture)	<ul style="list-style-type: none"> Value agricultural of production generated for use within local region Nutrient recycling from site / operations Land area retained or created for food growing / production* 	<p>11 Sustainable cities and communities</p> <p>12 Responsible consumption & production</p> <p>15 Life on land</p>
	Housing	Populations accessibility to adequate, safe and affordable housing: a place where to live in security, peace and dignity.	Gentrification, decrease in housing affordability in high-cost markets	Social / affordable housing (See also Impact Category – Economic inclusion)	<ul style="list-style-type: none"> Units set aside for low income residents Social housing units developed Units priced at local area median and/or affordable to median income earners Portfolio allocation changes (proportion of high-middle-lower income housing investment; longer hold strategies for middle-lower units)* 	<p>1 No poverty</p> <p>10 Reduced inequalities</p> <p>11 Sustainable cities and communities</p>
	Health and sanitation	Population's ability to live in a state of physical, mental and social well-being, including but not limited to the absence of disease or infirmity. This includes the ability to access quality essential health-care services and effective, quality and affordable essential medicines and vaccines. It also includes sanitation, which refers to population's accessibility to facilities and services that ensure privacy and dignity, ensuring a clean and healthy living environment for all.	<ul style="list-style-type: none"> Development in areas distant from / inaccessible to health and social services, and open / recreation spaces Development in areas highly susceptible to climate change impacts (i.e., storm events, flooding, extreme heat), and/or development patterns that lack or reduce resiliency to climate change impact 	<ul style="list-style-type: none"> Wellness and wellbeing (see also Impact Category – Air quality below) Climate change adaptation and resilience Health and wellness facilities Formal settlements 	<ul style="list-style-type: none"> Health facilities and social care facilities (numbers; accessibility) New parks / green spaces and active recreation amenity (area, accessibility) Siting and design to minimise impacts on residents / occupiers of noise and light pollution Passive design measures for safety and security Passive and active design measures to improve resiliency from climate impacts / shocks Provision of facilities to support local occupiers and community members during extreme weather events Units (households, businesses) connected to piped (mains or distributed network) sanitation services Nutrient recycling for use in local agricultural or horticultural production Changes in quality, quantity of public realm accessible to local residents and occupiers* Residents provided with social services* Improvement / changes in reliability, availability, and quality* Changes in household or business-level incidences of illness traceable to poor sanitation* 	<p>3 Good health and well-being</p> <p>6 Clean water and sanitation</p> <p>9 Industry, innovation & infrastructure</p> <p>11 Sustainable cities and communities</p>
	Education	Population's ability to access quality education and lifelong learning opportunities in an inclusive and equitable way. This refers to accessibility for all to elementary education, free and compulsory; and to technical, professional and higher education, as made available, equally accessible to all on the basis of merit.	Siting of educational facilities distant from or inaccessible to target population	Educational facilities	<ul style="list-style-type: none"> Educational facilities developed / provided (numbers; accessibility) Residents provided with, accessing educational opportunities Changes in skills training / courses offered and achieved in area population* 	4 Quality education

	Clarity of impact, Market & sustainable returns (investment thesis)		Measurement of impact (outputs)			
	Impact Category	Definition	Negative Impacts (indicative/to be assessed and mitigated as needed)	Investment theme(s) & market segments	Headline indicators/metrics, ex-ante and ex-post <small>*Examples for additional finance/impact (requires baseline comparison)</small>	Related SDGs
Availability, accessibility, affordability and quality (degree to which a set of inherent characteristics fulfills needs) of...	Employment	Population's accessibility to full and productive employment and decent work, which delivers a fair income, security in the workplace, a social protection for families, and involves prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment.	Change in land use, increase in gentrification pushes jobs or residences to urban periphery (reduce accessibility of people to workplaces, particularly in manual labour professions)	Labour conditions and skills development (See also Impact Category – Economic inclusion)	<ul style="list-style-type: none"> Skills training provided Training which led to certified skill Jobs created (development and construction) Prevailing / living wages paid (development and construction) Changes in commercial floor area Changes in availability, affordability of commercial spaces for SMEs* 	<p>4 Quality education</p> <p>5 Gender equality</p> <p>8 Decent work and economic growth</p> <p>10 Reduced inequalities</p>
	Energy	Population's accessibility to modern energy access, to include: household access to a minimum level of electricity and to safer and more sustainable cooking and heating systems; access to energy enabling productive economic activity, and to modern energy for public services, such as health facilities, schools and street lighting.	Increase in GHG emissions due to energy services provided (technology, fuel sources)	Formal settlements (See also Impact Category – Climate)	<ul style="list-style-type: none"> Units (households, businesses) connected to modern energy services (mains network and/or distributed systems) Energy consumption per capita (referenced against average and low consumption metrics) Changes in household, business energy expenditure* Improvement / changes in reliability and availability* 	<p>7 Affordable and clean energy</p> <p>9 Industry, innovation & infrastructure</p> <p>11 Sustainable cities and communities</p> <p>13 Climate action</p>
	Mobility	Population's accessibility to safe, affordable, inclusive, efficient and sustainable mobility and transport systems and infrastructure.	Development in areas distant from / inaccessible to mass transit and/or unsuited to non-motorised mobility	Compact and connected growth / 'Smart Growth'	<ul style="list-style-type: none"> Car sharing and bike sharing spaces provided Car parking and bike parking spaces for residents / occupiers (number provided, compared against local averages) Electric vehicle charging points provided, or proximity to Distance from, and number of available, mass transit services / routes Residential or job density (number, compared against local area averages) Portfolio allocation changes (based on density measures, transit connection indices)* 	<p>9 Industry, innovation & infrastructure</p> <p>11 Sustainable cities and communities</p> <p>13 Climate action</p>
	Information	Population's accessibility to information and ideas through any media regardless of frontiers. This includes access to information and communications technology.				
	Culture and heritage	Population's ability to access and participate in cultural life, to enjoy the arts and to share in scientific advancement and its benefits. This includes the safeguarding and promotion of cultural heritage in all its forms – tangible and intangible, cultural and natural, movable and immovable.	<ul style="list-style-type: none"> Building forms and designs that create extreme divergence from local character and vernacular Demolition / removal of culturally significant buildings and artefacts 	<ul style="list-style-type: none"> Public realm and public art Cultural facilities 	<ul style="list-style-type: none"> Creation (amount invested, areas) of accessible public art Visitor numbers to public realm, public cultural spaces and installations Accessibility to public and private cultural facilities (e.g., drawing within and outside local catchment; by varying income levels and age groups, etc.) Change in number, quality of cultural facilities and spaces* 	<p>11 Sustainable cities and communities</p>
	Integrity and security of person	Population's ability (read as ability of the person) to enjoy freedom from injury to the body and mind; freedom from torture and cruel, inhuman or degrading treatment or punishment; freedom from slavery and servitude. It also includes data security, data privacy and protection.				
	Justice	Population's ability to access justice in an equal and inclusive way.				

		Measurement of impact (outputs)				
Clarity of impact, Market & sustainable returns (investment thesis)		Additional finance & impact flows (outcomes)				
Impact Category	Definition	Negative Impacts (indicative/to be assessed and mitigated as needed)	Investment theme(s) & market segments	Headline indicators/metrics, ex-ante and ex-post <small>*Examples for additional finance/impact (requires baseline comparison)</small>	Related SDGs	
Strong institutions, peace and stability	Population's ability to benefit from effective, accountable and inclusive institutions, which support the expansion of rule of law, and overall political and economic stability. Protection from corruption and bribery in all their forms, illicit financial and arms flows, all forms of organized crime and interference with rule of law; and recovery and return of stolen assets.					
Quality (physical and chemical properties) and efficient use of...	Air	Quality of ambient (outdoor) and household (indoor) air as exposed to contaminant or pollutant substances that do not disperse properly and that interfere with human health and welfare, or produce other harmful environmental effects.	<ul style="list-style-type: none"> Poor indoor air quality (sick building syndrome) from material and design choices and poor building management Development contribution to negative urban air quality (in construction or operation, siting as relates to mobility-linked air quality impacts) 	Wellness and wellbeing	<ul style="list-style-type: none"> Use of low-emitting materials and finishes (very low / zero VOCs) Use of low-emitting construction and maintenance equipment, HVAC systems (particulates, atmospheric pollutants) Locational factors – walkability, access to mass transit – to reduce emissions / pollutants from motorised transport Building wellness certification / assessments achieved Improvement in building ventilation rates, indoor air quality measurements, tenant / occupier satisfaction metrics* Increase in landscaping (including green roofs and facades) designed to address local area pollution and heat island effect* 	3 Good health and well-being 11 Sustainable cities and communities 15 Life on land
	Water	Quality, understood as the physical, chemical, biological, and taste-related properties of water; as well as the quantity of surface water and groundwater.	Increase in non-porous surfaces, run-off from development footprint	Area environmental management	<ul style="list-style-type: none"> Stormwater peak-flow rates, quality (pollutant loads), and impact on receiving waters Changes in impervious surface area* 	6 Clean water and sanitation 11 Sustainable cities and communities 14 Life below water
	Soil	Composition of soil and its ability to deliver ecosystem services, in terms of food production, as biodiversity pools and as a regulator of gases, water and nutrients. Exposure to pollutants and factors that may interfere with this ability and soil stability.		(See also Impact Category – Food)		
	Biodiversity and ecosystems	Variety of living organisms from all sources including terrestrial, marine and aquatic ecosystems and the ecosystems they are part of; this includes diversity within species, between species and of ecosystems.	Reduction in or deterioration of animal, bird, aquatic and invertebrate habitat from development activity or building operations and footprint	'Green' and 'Blue' infrastructure and amenity / investment in natural capital and systems (ecologically regenerative urbanism)	<ul style="list-style-type: none"> Use of bird friendly glazing materials Coastal ecosystems maintained and improved Biodiversity initiatives Changes in habitat area* Changes in indigenous species count* 	14 Life below water 15 Life on land
	Resource efficiency / security	Efficient use of limited, non-renewable natural resources (which cannot be regenerated after exploitation) and renewable natural resources (which can return to their previous stock levels by natural processes of growth or replenishment) in the process of exploiting nature for production and consumption purposes. Can also be read as resource security.	<ul style="list-style-type: none"> Development in greenfield areas and/ or areas of high natural value Change of use (e.g. productive agricultural land converted for buildings/real estate development) Use of high embodied water materials Use of materials with low recycled content / low recyclability 	Resource efficiency	<ul style="list-style-type: none"> Litres water used, saved Bio-based, replenishable construction materials used Tons of CO2 emissions released, reduced Construction material re-use and recycling Construction and in-use waste diversion rates Innovative service agreements, e.g., material and building component leasing Changes (area, improvement) in parks and green spaces* 	6 Clean water and sanitation 7 Affordable and clean energy 12 Responsible consumption and production 14 Life below water 15 Life on land

		Measurement of impact (outputs)			
		Clarity of impact, Market & sustainable returns (investment thesis)	Additional finance & impact flows (outcomes)		
Impact Category	Definition	Negative Impacts (indicative/to be assessed and mitigated as needed)	Investment theme(s) & market segments	Headline indicators/metrics, ex-ante and ex-post <small>*Examples for additional finance/impact (requires baseline comparison)</small>	Related SDGs
Quality (physical and chemical properties) and efficient use of...	Climate	Composition of the global atmosphere and its exposure to greenhouse gases (GHG) emissions as a direct factor contributing to climate change. <ul style="list-style-type: none"> Use of high embodied energy/carbon materials Siting and accessibility that contribute to urban sprawl (access is predominantly by private cars) Land use changes (reductions in carbon sinks) 	Energy efficiency and clean energy	<ul style="list-style-type: none"> Watts of energy conserved (KWh) Energy use and GHG emission intensities by floor area (absolute, compared against local area averages) Use of distributed energy systems, and renewable energy generated (kWh) Tons of CO2 emissions avoided Rates of non-motorised, mass transit access Delivery of near- or net-zero energy buildings Portfolio allocation changes (near-, net-zero energy buildings)* Changes (amount invested, direct consumption) in renewable energy* 	7 Affordable and clean energy 9 Industry, innovation & infrastructure 12 Responsible consumption and production 13 Climate action
	Waste	Ability to manage waste, including the control, monitoring and regulation of the production, collection, transport, treatment and disposal of waste, and the prevention of waste production through in-process modifications, reuse and recycling during a project lifecycle. This includes waste reduction.	(See also Resource efficiency / security: health and sanitation)		
Economic value creation for people and society as a means for meeting human needs within the confines of our environment	Inclusive, healthy economies	Development and creation of sustainable, diverse and innovative markets, that add value to society and the economy. This includes under-served social groups' full and fair accessibility to labour markets, finance and entrepreneurship and, more generally, economic opportunity. It also includes, but is not limited to, access to affordable, effective and safe financial services for both individuals and micro-, small and medium-sized enterprises.	<ul style="list-style-type: none"> Small enterprise / business incubators and accelerators Sustainable construction (e.g., innovation in materials and products; off-site manufacturing) Urban regeneration (place making, community development and revitalisation) 	<ul style="list-style-type: none"> Residents provided with / improved access to community and social services Access and availability of child care and nursery schools New public realm accessible to communities New business formation / occupiers Small business and co-working spaces Access to small business services Procurement and sourcing to benefit local businesses (i.e., spent in construction and renovation, maintenance and operations) Employment figures: new materials and innovative construction processes Off-site manufacturing and materials pre-assembly (volume, changes in production) Improvements in urban infrastructure (quality and accessibility) – water, energy, waste and recycling, sanitation, transport and mobility, data and ICT* Changes in residential income mix, affordability* Reduction in material waste* Reduction in build-time* Decrease in unit production costs (e.g., median-cost housing in high-cost markets)* 	3 Good health and well being 6 Clean water and sanitation 7 Affordable and clean energy 8 Decent work and economic growth 9 Industry, innovation & infrastructure 10 Reduced inequalities 11 Sustainable cities and communities
	Economic convergence	Ability of developing countries to catch up with developed countries at level of average per capita income.			

4. CHALLENGES IN DEVELOPING IMPACT-BASED REAL ESTATE INVESTMENT STRATEGIES

The framework is a process tool structured around questions and recommended actions along the property investment cycle. It is not prescriptive (in impact identification, impact indicators, scope and boundaries, tools and methods, measurement and reporting frequency, etc.). It acknowledges that many methods and tools are in fact available and an important part of institutional practices – thus highlighting the case for transparency so that stakeholders can assess the quality and comparability of outputs. A non-exhaustive summary of some reference resources that practitioners can utilise in developing an impact-based approach and applying the framework can be found in Appendix A.

The framework is offered to support existing processes, and invite industry collaboration to bring convergence towards accepted metrics and practices of an impact-based approach. It is a starting point to support the evolution of industry practices, rather than a finished end-product. Accounting for the objectives of Positive Impact and present landscape of sector resources and impact-focused practices, some challenges in this evolution are summarised below.

- The SDGs are growing in their appeal to many practitioners as effective for framing intent and measuring impact of their investments. Most SDG-related frameworks, however, start with the investment objective in sectoral terms – for example: resource efficient buildings, affordable/low-cost housing, health and care facilities, etc. – or move backwards from present investment activities to nominating which SDGs those investments contribute to, rather than impact analysis. This differs from the ultimate objective of an impact-based approach which is to assess first the positive and negative impacts sought by investors, defining what it can influence through which types of products and activities.
- Processes and resources for measuring sustainability, either internally or externally sourced, are largely restricted to positive benefits. Accepted methods and tools for measuring negative impacts of investment activities requires attention. The same may be said of measuring additionality.
- The lesser attention to negative impact assessment may partly stem from existing statutory processes in mature markets, i.e., requirements for environmental or social impact assessments during project planning as a condition of development approval. Compliance is thus considered a negative impact mitigator, whereas Positive Impact seeks to move practices beyond ‘business as usual / best-practice as usual’ statutory levers.
- Social impact assessments, though gaining in relevance to asset owners, asset managers, and other stakeholders, are difficult to produce. They can be characterised as having a level of subjectivity which makes comparisons difficult.

APPENDIX: REFERENCE RESOURCES

The table below summarises some of the strategy frameworks, methods, and tools related to impacts presently available. Many are industry-led or supported, suggesting a base of financial sector appetite for applying an impact-based approach. Notations are provided on the resource’s potential use and application as related to the Investment Objectives and impact-based real estate investment framework. Resources not specific to real estate may offer guidance on process or methodology transferrable to the sector.

Resource	Summary	Clarity of Impact	Sust. & market returns	Measure of impact	Addl. finance/ impact
Impact Management Project	A global initiative of investors, advisors, NGOs and foundations to generate consensus on principles and procedures for signaling 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. It has established its 'Five dimensions; guidance for how institutions can create and measure impact: WHAT (What outcomes does the effect relate to, and how important are they to people (or the planet) experiencing it?); HOW MUCH (How much of the effect occurs in the time period?); WHO (Who experiences the effect, and how underserved are they in relation to the outcome?); CONTRIBUTION (How does the effect compare and contribute to what is likely to occur anyway?); RISK (Which risk factors are material, and how likely is the effect different from the expectation?)	✓ ✓	✓		✓ ✓
Habitat III – 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. Various outcomes are set as aspirations of the New Urban Agenda (e.g., Right to adequate housing; Universal access to safe and affordable drinking water and sanitation; Resource efficiency; Sustainable, safe, and accessible urban mobility; Foster mitigation and adaptation to climate change; Safe, inclusive, accessible, green, and quality public spaces; etc.) which investors could use to inform investment themes.	✓			✓
Sustainability Standards Assessment Board (SASB) Framework	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 of Environment, Social Capital, Human Capital, Business Model and Innovation, and Leadership and Governance). Investors could use some or all of these as impact themes against which corresponding investments are made and negative impacts mitigated.	✓ ✓	✓		
De Nederlandsche Bank (DNB) Sustainable Finance Platform: SDG Impact Indicators – A Guide for Investors and Companies	The Sustainable Finance Platform, chaired by the Dutch Central Bank (DNB), brings together several leading Dutch financial institutions and companies to support the scaling up of investments and loans that contribute to the SDGs. A working group formed on SDG Impact Measurement was to suggest a limited number of impact indicators per SDG for use by investors. This limited number is a starting point, intending that they will promote comparability and aggregation of impacts; harmonization of data requirements for reporting companies; and consolidated reporting to stakeholders. The indicators were selected to allow for either a measure of 'flow' (incremental improvements over the previous year and 'stock' (capturing a cumulative improvement); and change in the wellbeing of those affected over the longer term.		✓	✓	✓

Resource	Summary	Clarity of Impact	Sust. & market returns	Measure of impact	Addl. finance/ impact
Business Reporting on the SDGs – An Analysis of the Goals and Targets. Developed by GRI and the UN Global Compact	The report was produced as an inventory of what the SDG targets mean for businesses, and importantly offers a list of indicators, differentiated between SDG targets that are “Most relevant business targets”, “Potentially relevant business targets”, and “Niche relevant business targets”. The mapping of individual metrics against the SDGs is drawn from existing sources and protocols, namely from the companion document from GRI and UN Global Compact – Integrating the SDGs into corporate reporting: a practical guide ; and the searchable databases Inventory of Business Tools and Inventory of Business Indicators , developed through a project of GRI, UN Global Compact and WBCSD.	✓	✓	✓ ✓	
Advancing Responsible Business in Land, Construction & Real Estate Use & Investment’ – Making the Sustainable Development Goals a Reality. Developed by RICS and the UN Global Compact	Provides guidance on 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 at each stage of the property life cycle. It provides a toolbox of SDG-related and wider UN resources; case studies showcasing successful SDG implementation; and a Self-Assessment Checklist mapping 15 sectoral issues and corresponding 15 action items to individual SDG indicators.	✓	✓		
PRI Impact Investing Market Map	Principles for Responsible Investment (PRI) has developed a practical guidance tool to help define the investment sectors in which impact investors have been targeted / are likely to target. It offers: definitions of a specific thematic investment; correlation of this thematic investment with the SDGs and other international initiatives; 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.	✓	✓		
GRESB (Global Real Estate Benchmark)	A reporting and benchmarking platform for portfolio owners/managers to report on their intended practices and results in institutional and property-level sustainability. It evaluates management practices and asset performance against 7 sustainability aspects using approximately 50 indicators, and provides peer benchmarking to improve industry transparency. GRESB scores are an indicator of the strategic importance of ESG integration in large asset owner and manager organisations. The framework offers a set of ex-post metrics in energy, water, waste, health and wellbeing, plus numerous indicators related to management procedures and practices.		✓	✓	
IRIS an initiative of the Global Impact Investing Network / GIIN	IRIS is a catalogue of generally accepted performance metrics used by many impact investors to measure social, environmental, and financial success. 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. Metrics relate to financial performance; operational performance; product performance; sector performance (e.g., Housing/Community Facilities); and Social and environmental objective performance.	✓		✓ ✓	
The Impact Toolkit (GIIN)	A searchable and customisable portal to other tools for identifying and measuring impact, for environment/planet, social/people, or both. It is searchable by market segments and investment themes.	✓		✓ ✓	
Navigating Impact (GIIN)	Provides guidance on strategies that can be used based on the outcome/impact sought, structured around the Impact Management Project’s impact dimensions: What, Who, Contribution, and How Much. The information is further organised around market segments (e.g., affordable housing) and investment themes (e.g., clean energy). It offers suggested core and additional metrics, drawn from the IRIS catalog and other sources.	✓		✓ ✓	
WHEB Investment: Impact Methodology	The published methodology of the UK investment management company WHEB (prime focus on listed equities / companies or projects that deliver social and/or environmental value as a core part of their business operations). The methodology relies upon company data, where available, with transparent estimation methodologies to address data gaps. WHEB seek to identify and invest in ‘Breakthrough’ businesses that replace or transform established systems to deliver radically higher economic value alongside positive environmental/ social impact.	✓	✓ ✓		

Resource	Summary	Clarity of Impact	Sust. & market returns	Measure of impact	Addl. finance/ impact
National TOMs (Themes Outcomes & Measures)	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 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 35 measures are a set of minimum requirements that need to be met. 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.	✓		✓ ✓	✓
Future-Fit Business Framework	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. 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. 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; and guidance on Positive Pursuits that any business may undertake go beyond the Break-Even point and deliver improved outcomes for society and environment.		✓ ✓	✓	✓ ✓
Guidebook for Impact Investors: Impact Measurement developed by Venture Deli/Purpose Capital	A resource focused on social impact, which highlights the range and diversity of approaches to social impact measurement. The guidebook summaries of a number of measurement methodologies available (a mix of open-source, proprietary and pay-for-service) under three typologies: process methods (track and monitor the efficiency and effectiveness of outputs, variables or indicators); impact methods (improvements delivered relative to the next best alternative); and monetisation methods (assigning a dollar value to outcomes).	✓		✓ ✓	
Evaluation Handbook, Outputs and Outcomes Framework, and Impact Wheel developed by the Good Growth Fund (Greater London Authority and London Economic Action Partnership regeneration programme)	The resources are focused on social impact of regeneration projects, with a process requirement for ex-ante set of indicators. Framework is organised around Overarching (cross-cutting) measures; Empowering people, Making better places, and Growing Prosperity; and presented as an Impact Wheel. Headline indicators are included though there are no corresponding specific metrics. Rather, the user is shown process steps and guidance, for example: setting targets, standards for evidence and collecting evidence, and longer term tracking of impacts; and resources to support setting of baselines, general economic and social impacts, and thematic impact assessment (e.g., workspace, public realm; employment and skills, etc.).	✓			✓
Anticipated Impact Measurement and Monitoring (AIMM) Framework, developed by the IFC	It is an ex-ante project impact assessment tool used by the IFC for its investments. The intent is to measure the direct, indirect, and induced effects on the economy and society overall; and the effects on the environment. Investments that can contribute to systemic change (i.e., in furtherance of the SDGs). It seeks to measure contribution to “Market Creation” (includes systemic effects on markets), based on Competitiveness; Resilience; Integration; Inclusiveness; and Sustainability.		✓	✓ ✓	✓
Global Reporting Initiative (GRI): topic-specific standards (Economic, Social and Environmental)	Provides a large catalog of standard metrics and measurement / reporting approaches under the Global Reporting Initiative. Users select relevant topics based on business and operational profile.			✓ ✓	



UN Environment – Finance Initiative is a partnership between UN 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. www.unepfi.org



UNEP FI’s Positive Impact Initiative explores solutions to the financing gap for sustainable development and the Sustainable Development Goals (SDGs). The Initiative helps move the financial sector towards a more thorough and deeper integration of impact analysis in decision-making. This improved understanding of impacts will ultimately also drive more impactful business models and investments. Via the Principles for Positive Impact Finance, our lenders and investors and a range of stakeholders build on existing impact frameworks to develop guidance and tools for holistic impact analysis across a range of financing instruments. We are also engaging with the public sector to explore impact-based requests for proposals which can stimulate the private sector to develop impact-based business models. The initiative is championed by a core group of UNEP FI Members and a wide group of other stakeholders in the public and private sectors.

We invite stakeholders to participate in UNEP FI’s Positive Impact Initiative to collaborate on best practice and help shape the impact ecosystem. For more information:

www.unepfi.org/positive-impact/positive-impact/

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