

AREF response to the TNFD consultation on draft sector guidance – engineering, construction and real estate

The Association of Real Estate Funds (AREF) represents the UK real estate funds industry and has over 50 member funds with a collective net asset value of more than £50 billion under management on behalf of their investors. AREF's ESG & II Committee brings together experts to educate and guide real estate funds on best practice for ESG, sustainability and impact investing. In addition, AREF works with other associations work together to ensure there are aligned policies and The following response to the [TNFD consultation](#) on draft sector guidance – engineering, construction and real estate was developed by a broad group of real estate industry association experts.

The key expectations from our real estate fund members when implementing these guidelines for disclosing nature-related issues are:

- The guidance acknowledges the challenges they can face accessing the data needed to comply with TNFD.
- Ensuring that operational costs of complying with the TNFD guidance are proportionate and there is minimal increase in their TER.
- The TNFD guidance facilitates transition and other value add strategies which will in turn enhance real estate valuations.
- They are not reporting for reporting sake. The reporting they are required to make has value that not only for them but the whole sector.

General feedback on this draft sector guidance

1. Does the form and structure of this guidance support your understanding of how the LEAP approach applies in your sector?

- a. Yes
- b. No
- c. Not sure
- d. Other

2. Which parts were most useful?

- Section 2.2: Interface of the organization with nature:
This section is crucial for the real estate sector as it guides companies in identifying where their operations impact nature (impact screening).
- Section 2.3: Evaluate dependencies and impacts on nature,
E2: Identification of dependencies and impacts (Table 6: Example of negative impacts):
The emphasis on different stages of the value chain and the asset lifecycle offers a practical perspective about the impacts of the sector.
- Section 2.4: Assess nature-related risks and opportunities:
The guidance on identifying and prioritizing risks and opportunities is essential for real estate companies that manage projects with varying environmental impacts.
- Section 2.5: Prepare to respond and report, P1: strategy and resource allocation plans:
Mitigation hierarchy is specifically relevant to guide strategies.

3. Is there any material that you thought was not useful, confusing or incorrect?

Some of the metrics are very detailed and technical. They may be overwhelming at this stage.

4. Is there any material that would be particularly useful for other sectors?

The detailed approach in Section 2.4 on materiality assessment and the prioritisation of risks and opportunities could be relevant to other sectors that face nature-related challenges.

5. What additional content would be useful for the guidance to include?

Practical examples of how the LEAP methodology has been successfully applied in real estate could enhance clarity and demonstrate applicability.

Additionally, it would be useful to ensure that the data disclosures generated from the guidance:

- Can be efficiently accessed;
- Minimise increases in Total Expense Ratios (TERs) and other operational costs;
- Are useful for transition strategies and adding value through improved real estate valuations, rather than simply reporting for the sake of reporting.

Metrics feedback questions

6. How can the draft guidance to support application of the core global metrics to this sector be improved? Is any further additional guidance required? What should it cover?

More guidance/support on how to interpret the metrics and how to obtain the underlying data is desirable. Guidance examples:

- 1) Case studies/ best practice examples
- 2) Sharing databases
- 3) Showing calculation methods.

As there are a lot of proposed metrics, that are also technically detailed, a scalable implementation would be beneficial.

7. Are the proposed core sector metrics meaningful and decision-useful for report users?

- a. **Yes**
- b. No
- c. Not sure
- d. Other

The core metrics seem to be proportionate, but smaller entities might find the initial data collection and verification process challenging.

8. Are the proposed core sector metrics proportionate, reflecting the capacity and cost constraints of report preparers?

- a. Yes
- b. No
- c. **Not sure**
- d. Other

Whereas the metrics reflect important and relevant issues, the real-world adaptation for the real estate sector will cause a considerable financial burden and should be supported by very specific expertise.

9. What other sector metrics should be considered by the Taskforce? Should they be core or additional?

Metrics related to incorporation of green spaces, for example:

- 1) % of green space within the property
- 2) area of green spaces in/on/around the property
- 3) area of greenery per building user / inhabitant
- 4) Type of green spaces in/on/around the property (defining the actual positive impact on nature)

10. What other, if any, positive impact metrics and opportunity metrics are relevant in each sector?

Use of recycled materials, defined by for example:

- 1) % of recycled materials
- 2) % of biobased materials used
- 3) % of materials used from local ecosystem

11. What data and assurance issues or challenges should the Taskforce consider in relation to the metrics proposed?

The diversity of data sources and the lack of standardisation across projects of different sizes and locations represent significant challenges. The Taskforce should consider creating guidelines, or collaborate with industry associations to create guidelines, aiming for standardised data collection and verification. Data collection templates would be very beneficial, too.

Additional sector feedback questions

12. Is the proposed approach in the draft guidance to analysis of projects with multiple actors feasible? Does it provide useful information for report users?

- a. Yes
- b. Other

Although the initial time investment might be higher because new collaboration streams have to be set up, the approach is feasible and provides useful insights for report users. The guidance's focus on collaboration among multiple stakeholders across the asset lifecycle is in line with sustainable real estate development practices.

13. Does the proposal to consider dependencies, impacts, risks and opportunities across the asset lifecycle as well as the immediate reporting period make sense? Is it consistent with wider practice? Does it generate useful information for report users?

Yes, considering the impacts and opportunities throughout the asset lifecycle is important, and aligns with wider sustainability practices. It offers valuable insights into long-term risks and opportunities, supporting better decision-making and responsible investment strategies in the real estate sector.