



# Guidance

## ESG & Impact Investing Guidelines for AREF Members

Effective from:  
**February**  
**2026**

# Introduction

## Guidance objective

The ESG & Impact Investing Guidelines aim to provide managers and investors with guidance on:

- the governance surrounding ESG and impact investing;
- good practice for the integration of ESG and impact investing considerations with investment and management frameworks; and
- relevant reporting recommendations.

## Application of guidance

Managers should utilise this guidance when setting and updating terms relating to a vehicle's ESG and impact investing objectives. The guidance provided should be applied at both house and investment vehicle level.

AREF recognises that managers may not be able to implement this guidance for regulatory, strategic, operational or other reasons. Managers should be prepared to explain their approach to ESG and impact investing. In the cases of conflict between the provisions of this guidance and legislative/regulatory requirements, the latter will take precedence.

## Background to guidance

The original ESG & Impact Investing Guidelines were created by AREF's ESG & Impact Investing Committee in 2023. Its central purpose was to provide a model of good practice that members and investors should refer to.

The guidance is reviewed on an annual basis as a minimum, or as and when required given the pace that ESG is evolving within the real estat market.

## Last review date

February 2026

If you have any questions regarding the guidance contained within this document, please email AREF at: [info@aref.org.uk](mailto:info@aref.org.uk).

## 1. Governance

- 1.1 In fund documentation, include an ESG policy describing the fund's approach to ESG and sustainability, monitoring and reporting. This policy should be made available to investors.
- 1.2 Incorporate a statement describing the governance structure, including committees or equivalent of the highest governance body responsible for decision making and overseeing the management of the fund's ESG impacts.
- 1.3 Identify senior decision maker(s) accountable for ESG strategy and committees/working groups responsible for setting, implementing and monitoring progress towards ESG objectives.
- 1.4 To ensure alignment of interest, tie employee compensation to ESG objectives to ensure accountability across the business.
- 1.5 Build a strategy to ensure compliance with regulations, where relevant. This may include:
  - Minimum Energy Efficiency Standards (MEES)
  - Sustainable Finance Disclosures Regulations (SFDR)
  - Streamlined Energy and Carbon Reporting (SECR)
  - Task Force on Climate Related Financial Disclosure (TCFD)
  - EU Taxonomy
  - FCA Sustainable Disclosure Regulation (SDR)

## 2. Integration and Engagement

### Climate change

- 2.1 Set a net zero carbon (NZC) target and develop a NZC roadmap.
- 2.2 Report Scope 1, 2 and 3 carbon emissions and use estimates to fill data gaps in order to understand net-zero carbon performance of the whole building.
- 2.3 Start measuring, monitoring and establishing baseline targets for embodied carbon, with an aim to have full carbon accounting.
- 2.4 Understand existing portfolio and new acquisitions' exposure to future climate related risks (both physical and transitional) and report on resilience strategy/management of risks and opportunities (e.g. utilisation of CRREM, PAII Net Zero Investment Framework).

### Energy

- 2.5 Monitor and review energy consumption.
- 2.6 Explore and implement opportunities for greater use of renewable energy, including onsite generation (such as solar photovoltaic or electric vehicle charging).

### Water, effluents and waste

- 2.7 Monitor and review management of water consumption, effluents and waste.
- 2.8 Explore and implement opportunities for greater conservation and sustainability measures.

### Data Coverage

- 2.9 Maximise portfolio data coverage (energy, waste, water). This could be achieved via automatic data retrieval tools for energy data and smart meters for water.

- 2.10 Put strategies in place to reduce portfolio consumption (e.g. drip irrigation systems where applicable).

#### Biodiversity

- 2.11 Identify initiatives to improve biodiversity on site (e.g., landscaping, beehive installations, bird boxes).
- 2.12 On all new developments, ensure minimum 10% biodiversity net gain.
- 2.13 Track and measure biodiversity net gain on standing assets, particularly those which have the highest opportunities.

#### Sustainable travel plans

- 2.14 Ensure that infrastructure is in place on site to encourage sustainable travel (e.g., EV charging points, access to public transport nodes).

#### Health and wellbeing

- 2.15 Develop health and wellbeing strategies for employees, tenants and contractors.
- 2.16 Monitor and report on Health and Safety standards followed, particularly during construction.
- 2.17 Undertake employee and tenant satisfaction surveys and report results to investors.

#### Engagement

- 2.18 Aim to have green lease clauses included in all new leases.
- 2.19 Engage with tenants to understand their ESG objectives (NZC targets, social initiatives etc.) to ensure better collaboration.
- 2.20 Consider the development of a Community Engagement Strategy.
- 2.21 Consider participation with the industry on key ESG issues.

#### Social impact/value

- 2.22 Consider a social impact strategy with underlying key performance indicators (KPIs) at an asset or portfolio level and report progress.
- 2.23 Consider using frameworks to measure and demonstrate additionality of impact when investing in communities.
- 2.24 Consider using a local needs assessment to identify the key social challenges affecting the local area and tailor social approach to address these challenges.
- 2.25 Consider producing concrete social value case studies to showcase when reporting.

#### Acquisitions, ongoing management, development & disposal

- 2.26 Include material ESG considerations within acquisition due diligence processes (for example, BBP's Acquisitions Sustainability Toolkit) and share findings with investment committee in order that these factors are included in purchasing decisions.
- 2.27 Members are encouraged to produce asset level ESG plans.

- 2.28 For refurbishment/development projects, develop a Sustainable Design Brief, which sets out minimum requirements and targets.
- 2.29 Consider use of Considerate Constructor Scheme.

#### Procurement

- 2.30 Consider a Sustainable Procurement Strategy and monitor and measure on sustainability practices of service providers.

#### Training and Development

- 2.31 Provide training and education opportunities for employees and stakeholders.

### **3. Reporting**

- 3.1 Report in line with TCFD, TNFD, SFDR, SECR and EU Taxonomy (where relevant), as well as in line with UK and EU based regulation.
- 3.2 Report annually against ESG strategy and targets.
- 3.3 Report to GRESB annually.
- 3.4 Report ESG performance against targets regularly (at a minimum, annually) to investors (quantitative and qualitative).
- 3.5 Report in line with best practice industry standards.

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