

ESG: A DUTY INSTEAD OF A TRENDING TOPIC

Although the global economy is in the midst of the biggest crisis of the post-war period due to the coronavirus pandemic, the issue of ESG has continued to gain momentum in Europe. According to German Chancellor Angela Merkel, “it is about nothing more and nothing less than the transformation of our entire way of life and doing business.”



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Just how essential the issue is for Europe can be seen, among other ways, in the EU recently adopting even more ambitious climate targets. These now call for carbon emissions in Europe to be cut by 55 percent by 2030 compared with 1990 levels, not just 40 percent.

Green Deal und sustainable finance – ESG picking up steam

In order to achieve the climate targets and, in doing so, create a carbon-neutral future, the European Commission has made 750 billion euros available as part of the “Green Deal.” Part of this agreement is also the Sustainable Finance Act, which aims to channel funds in the direction of sustainability. In this context, the focus

is also on the real estate industry, which is responsible for around one third of Europe’s total carbon emissions. The European Union answers the question of what constitutes sustainable real estate in what it refers to as the “taxonomy.” This contains numerous criteria that are used to designate a property as taxonomy-compliant under the Sustainable Finance Act.

ECE participates in DGNB study to understand and correctly apply the taxonomy

ECE already began studying the taxonomy back in 2018 when Brussels issued the first drafts. The most important aspects for ECE included understanding the criteria and also providing pragmatic feedback to the decision-makers in Brussels via the German Sustainable Building Council (DGNB) and the German Property Federation (ZfA). At the same time, it is essential that ECE also takes these requirements into account in its own sustainability strategy and in its development and purchasing decisions.

For this reason, ECE participated in the DGNB study on the taxonomy with five properties last year in order to expand its expertise in this area. The study revealed that a certified property and sound data management, as well as excellent energy performance indicators, are the essential ingredients to achieving good results. The criteria can be met – although certainly not for all properties – after all, the focus here is on the best in class.

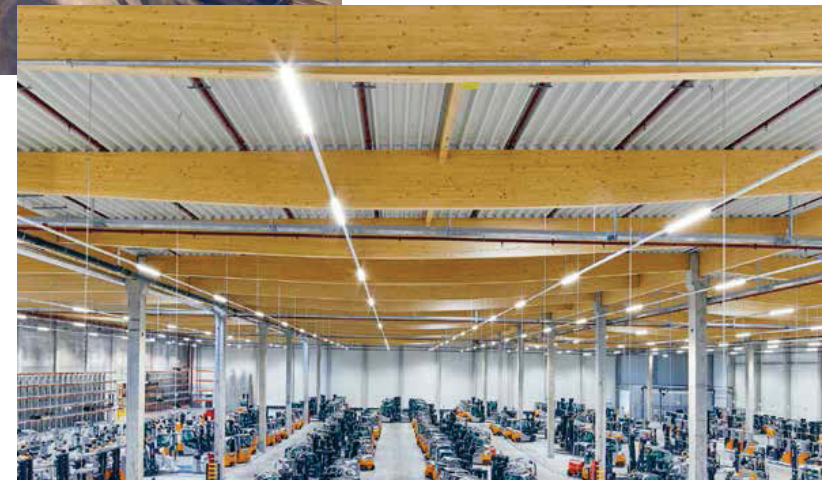


Sustainability strategy a key component

Despite the various challenges during the pandemic, sustainability remains a key issue for ECE. The company’s sustainability strategy, which it systematically updated and refined last year, forms the basis for its activities. In this context, ECE has identified relevant sustainability drivers specific to the company. These include political regulations, investor requirements, and the expectations of other external stakeholders, such as tenants or visitors. Ensuring that the properties retain their value by meeting the future climate change mitigation requirements plays a key role in this context. The company’s sustainability strategy represents an important component in this regard.

The process began with a survey of stakeholders which formed the basis for the new sustainability strategy. Over the course of the development process, we identified six strategic fields of activity: energy, resources, sustainable mobility, well-being, employees, and sustainable trends. In accordance with the six strategic fields of activity, ECE has defined specific sustainability goals in the three core areas Marketplaces, Work and Live, and ECE/Employees, which it reviews on an ongoing basis and reports on in a transparent manner. >

- E-bike station at the Adigeo in Verona.
Wooden roof structure at the STILL logistics center in Hamburg.



ECE SUSTAINABILITY STRATEGY

Short-term, medium-term, and long-term goals have been defined for each area of activity



ENERGY

Professional monitoring
Increases in energy efficiency
Renewable energy



RESOURCES

Professional monitoring
Waste and water management
Promotion of circular economy approaches



SUSTAINABLE MOBILITY

Electric vehicles
Development/ use of sustainable mobility options



WELL-BEING

Accessibility
Indoor air quality



OUR EMPLOYEES

Health management
Diversity management
Social commitment



SUSTAINABLE TRENDS

Driving forward innovation projects in a targeted manner, to learn from them



● Green roofs on the "Campus Hamburg" office building



2025

THE YEAR IN WHICH ALL ECE CENTERS IN EUROPE WILL BE EQUIPPED WITH EV CHARGING STATIONS

Marketplaces: Expanding green leases

In the shopping center sector, the targets include a significant reduction in carbon emissions of 40 percent by 2030 (compared to the 2019 baseline), the exclusive use of green electricity at all shopping centers, and ongoing improvements to energy monitoring. In addition to tracking and monitoring sustainability indicators via the "SoFi" tool, ECE Marketplaces is now looking to expand monitoring via an energy management platform. Furthermore, when operating the buildings, we try to minimize their environmental impact and regularly review models and approaches to waste prevention and recycling. It is also working to minimize the use of "gray energy" – such as through the use of wood or recycled concrete, for example.

Furthermore, all of the shopping centers should be equipped with charging infrastructure for electric vehicles and offer more sustainable transportation options. In addition, building users will be integrated into ECE's climate change mitigation measures even more closely by means of lease contracts that comply with the Green Lease standard. The goal is for 90 percent of lease contracts to comply with this standard by 2025.

Work & Live integrates ESG criteria into "Code of Conduct for Residential Development"

In all new development projects carried out by ECE Work & Live, the team conducts an individual assessment of a climate-friendly energy concept as well as LED lighting concepts and the installation of photovoltaic systems. Standardized green roofs and facades are also reviewed on an individual basis. Furthermore, in addition to establishing a charging infrastructure for electric vehicles, the use of sustainable building materials and wooden structures play an important role. Decisions on the use of individual elements are made on the basis of their financial, environmental, and social benefits.

Consuming resources in a conscious and responsible manner is another important means of achieving climate targets. This includes the economical use of building sites and land recycling, the durability and universal usability of buildings, and their easy conversion or, if necessary, demolition. This is particularly evident in the concepts for the construction of much-needed housing on developed areas at shopping centers – like at Stern-Center in Potsdam. In addition, ECE Work & Live is developing a concept for the use of office space under pandemic conditions.

The ESG criteria for the asset classes Residential, Logistics, Hotel, and Office are currently being reviewed once again and adapted to the growing requirements. In this process, ECE is closely examining the requirements related to achieving climate neutrality by 2045, as well as the criteria defined in the taxonomy.

By issuing a "Code of Conduct for Residential Development," ECE is demonstrating its all-embracing dedication to this asset class. This is a voluntary commitment that applies to all residential development projects and sustainable portfolio management as well as acquisitions under the responsibility of the ECE Group. In it, ECE commits to "fair conduct in our interactions with tenants and the inclusion of ESG criteria as essential guidelines in our development activities," among other things. >

Targets for headquarters and employees

Similarly, ECE intends to achieve a 40 percent reduction in carbon emissions at its campus compared to the 2019 baseline, increase energy efficiency, and expand the share of energy procured from renewable sources. In the future, all ECE suppliers will need to comply with revised environmental and social standards. ECE also aims to develop a diversity strategy, provide ergonomic workstations to its employees, expand health days for the workforce, and promote employees' social engagement.

Pilot project: energy efficiency refurbishment roadmap for shopping centers

In Germany, the Constitutional Court recently declared the Federal Climate Change Act – the first law in Europe to combat climate change that sets statutory climate targets for sectors and imposes penalties for failure to achieve them – to not be ambitious enough and therefore unconstitutional. As such, it is much more important not to focus on a few “best-in-class” properties, but to move the entire portfolio onto a path toward climate neutrality, and to do so by 2045.

Together with the University of Dresden, ECE has drawn up an energy efficiency refurbishment roadmap for shopping centers in a pilot project based on Alstertal-Einkaufszentrum (AEZ) in Hamburg. Shopping centers are complex property types and therefore require extremely detailed knowledge when it comes to achieving meaningful results. ECE's engineers are highly familiar with this type of property. The project revealed that shopping centers can become carbon neutral by 2045 – and ECE knows how to do it. This will require the acceptance of certified externally sourced energy, however. Without it – as studies, among other sources, have shown – many properties cannot become carbon neutral. Nevertheless, with an intelligently planned ESG strategy, centers can become more efficient within their maintenance cycles and also increase the amount of renewable energy generated directly at the property through the use of solar panels.

100%

USE OF GREEN POWER AT THE
SHOPPING CENTERS IN GERMANY AND
AT COMPANY HEADQUARTERS

SUSTAINABILITY ADVISORY BOARD

True progress is only possible when consideration is also given to outside ideas and opinions. That is why ECE presents all its new projects to a Sustainability Advisory Board it established in 2011. This reviews and assesses all new construction projects in terms of sustainability and environmental impact. The members of this board are Hamburg's former mayor Ole von Beust, polar researcher Arved Fuchs, the former deputy minister of North Rhine-Westphalia Dr. Michael Vesper, Prof. Dr. Kunibert Lennerts from the Karlsruhe Institute of Technology, real estate expert Bärbel Schomberg, and as chairman, ZIA President Dr. Andreas Mattner.

>100

DGNB, LEED, and BREEAM
certifications for ECE properties

>10,000

green lease contracts for
sustainable lease areas

141,000 t

of carbon emissions saved through
the use of green energy

**Renewable energy as a cornerstone of the sustainability strategy**

ECE already put renewable energy at the top of the list of considerations when developing new properties more than a decade ago. The potential ability to use geothermal and solar power systems, among other technologies, was investigated in each project. Unfortunately, geothermal could rarely be used due to geological conditions, and in the case of solar panels, legal regulations were always the greatest obstacle, even for existing properties. In particular, the detrimental effect on a shopping center's trade tax liability proved to be a significant barrier in this respect. ECE has therefore lobbied hard for change in Berlin – and things have started to move. As a result, ECE is currently working on a strategy to further integrate solar power systems into its portfolio – not least in order to achieve ECE's target of a 40-percent reduction in carbon emissions by 2030. ECE will also install a biogas-fueled combined heat and power plant by 2023 for its campus in Hamburg and the

AEZ shopping center. This is expected to reduce emissions by an additional 1,400 tons of CO₂ per year.

Solution-oriented dialogue with policymakers

In order to achieve our climate targets and help shape measures taken across society, ECE is engaged in a dialogue with politicians through various associations. In doing so, ECE always takes a solution-oriented approach. Whether its Germany's legislation to establish a building-integrated charging and wiring infrastructure for EVs, carbon pricing, or the Sustainable Finance Act, the question is always how the right political objectives can be implemented well in the real world.

The bottom line: no time to rest on our laurels – ECE continues to refine its strategy

The real estate industry has already made a major contribution in the field of sustainability. The low-hanging fruit has already been picked, so to speak. Now it's about taking the next big step. //