Standardising ESG data for real-estate investment

Philippe Gabella, CIO, Swiss indirect real estate, Banque Cantonale Vaudoise
Fabio Simoncini, Senior Investment Manager, Swiss indirect real estate, Banque Cantonale Vaudoise

In real estate, just as in other asset classes, investors are increasingly on the lookout for certifications and ratings that quantify an investment vehicle's ESG performance. But how can an ESG score be assigned to a real-estate fund? BCV and the University of Lausanne (UNIL) have teamed up on a project to do just that – together they're developing a standardised ESG framework specifically for this asset class.

Quantifiable ESG data

Investments in real-estate funds can have a direct and verified impact on the CO_2 emissions of buildings – such data is readily available. Yet other ESG data for this asset class is unavailable or difficult to compile. Even environmental criteria, which are the easiest to measure, can be difficult to establish, and social and governance criteria are even less straightforward. In order to collect quantifiable data, the first step in the BCV –UNIL study is to create a survey that covers the three types of ESG criteria. BCV has been sharing its expertise in this type of data collection with UNIL, drawing on its extensive experience in indirect real-estate investment. Once finalised, the survey will be sent to all Swiss real-estate fund distributors, real-estate foundations and other real-estate companies.

ESG scores and reports

The researchers will collect, standardise and analyse the resulting ESG data – looking, for example, at how much energy a building consumes, whether a building complex has childcare facilities, and if a foundation's board is gender diverse. The goal is to provide an ESG score for each investment vehicle, but also to provide regular reports and even an ESG index. In this phase of the study, UNIL will work independently to develop a benchmark tool that can be used over the long term.

Sustainability: a key component in fund analysis

Filling out surveys like these requires additional resource commitments, but that outlay can quickly turn into an opportunity. Collecting and providing ESG information allows fund managers to measure what they manage and showcase the importance of sustainability in their strategy and operations. In a market where raising funds is not always easy, sustainability is more than just a third component of fund analysis alongside performance and risk – it is becoming a differentiating factor.