BBP response to Science-based Targets Initiative Buildings methodology consultation

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Authors: Adam Baranowski, Annika Buser, Sarah Ratcliffe (BBP)

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Introduction

The responses to the following questions were developed by collating the views of the Better Buildings Partnership (BBP)'s membership, representing 54 of the largest commercial property owners in the UK. Our members represent over £290bn of AUM (Assets Under Management), and alongside our sister organisation - the Managing Agents Partnership - manage over 30,000 buildings.

The BBP held a virtual roundtable event on the 30th May 2023 to discuss the newly launched building sector guidance from the Science Based Targets initiative. The meeting brought together over 50 individuals from across the membership of the BBP and the Managing Agents Partnership (MAP), representing over £300bn in Assets Under Management. In the meeting, members discussed various questions from the public consultation on the methodology and provided comments via a Mural board. There was a general high level of feedback from members from across the areas discussed. Members support many of the choices made in the Buildings guidance, but would welcome more detailed guidance in certain areas, including additional clarification on building typologies.

The responses of BBP and MAP members from this roundtable and discussion have been collated and summarised in this document as a collective BBP response. Overall, the BBP welcomes the creation of a buildings specific methodology and were happy to feed into the development process for the methodology as part of the Expert Advisory Group. We look forward to seeing a final version of the guidance following the feedback from the public consultation.

Should you require any further information on any aspect of this submission please contact Sophia Tysoe, Stakeholder Engagement and Communications Manager at s.tysoe@betterbuildingspartnership.co.uk and Adam Baranowski, Head of Climate Action & Investment at a.baranowski@betterbuildingspartnership.co.uk.

General comments

1. The responses from our members reflect a number of high-level challenges on **data** which are discussed commonly in BBP forums:
   - Which benchmarks to use? Alignment with CRREM has support, but with concerns about data methodology and coverage of different asset types.
   - The methodology will struggle to reflect all the different nuances within commercial real estate.
   - Choice of methodology for reporting emissions (location based or market based) will have impacts on other aspects of getting to net zero – in the UK location based will impact on consideration of, for example, on-site renewables, in other locations this will not have the same effect. The assumption is that SBTI will be applied globally so this probably needs further consideration.
   - Difficulty in gathering data even when taking a whole building approach, fugitive emissions is a challenge.
2. The SBTI positions itself as an **ambitious** target setting initiative. If it is indeed designed for the few, then the buildings sector will need to be comfortable with that. It may be inevitable that there will be feedback that the requirements are too stringent.
3. **Integrity** and **clarity** of SBT processes and consequences. There are various questions from BBP and MAP members around how the SBTI methodology will be implemented and how specific situations will be dealt with. A general comment is that greater clarity will be needed on specific circumstances that arise in commercial buildings – this may need more work on scenarios and case studies which we are happy to support with.

4. **Incentives** – the comments from BBP members suggest that SBTI alone will not be enough and there will be a need to pro-actively pursue relationships with other stakeholders that do incentivise market transformation (e.g., Government, Finance sector) and then work to embed SBTI within them.
5. **Boundaries** – a number of the responses relate to the 'boundaries' applied by SBTI, especially in terms of the 'entity' being assessed, how fund managers deal with this (is SBTI actually even relevant for them?).

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Specific consultation questions

1. Do you agree with the intended users and their definitions as outlined in the guidance? (section 3.5.1)

- No objections raised.
- One member asked if it is possible that a business can be classified as more than one?

2. Do you agree with the choice of using the CRREM 1.5°C pathways for in-use operational emissions in the buildings sector?

- Members agree with the use of in-use operational emissions for buildings and suggest tracking at the portfolio level to ensure compliance with average intensity, while allowing for some underperforming assets. A challenge identified is the insufficient granularity in building classification, which hinders the effectiveness of this approach (see previous question response)
- The majority of the respondents agree with the choice of using CRREM 1.5°C pathways for in-use operational emissions in the buildings sector, citing its usefulness for aligned targets and progress visualization. However, there are concerns about the lack of differentiation for certain asset classes, the need for more guidance on mixed-use buildings, and the methodology's sophistication in benchmarking real estate portfolios.
- Members agree with the use of CRREM however, a challenge identified is the lack of detailed building classification that would provide more nuanced guidance. One example which was cited in the BBP meeting is the Industrial Warehouse classification within CRREM, which makes only a crude differentiation between buildings used for cold and ambient storage. This means that the benchmarks may only be applicable to a small group of buildings in this sector, and only those with 'average' or representative energy use, when buildings in this sector can be highly heterogenous in their energy consumption.
- Respondents agree with the ambitious decarbonization pathway selection, aiming for 1.5°C alignment. A challenge highlighted is the need for more detailed building classification to effectively implement the chosen pathway.
- The consensus is that the ambition level for buildings should be aligned with the 1.5°C target. However, it was noted that there are concerns in the industry that it is looking increasingly likely that the 1.5D limit will be breached in the coming years, which poses the question of how initiatives like the SBTI will continue to frame the narrative around the importance of the 1.5D target, and whether there will be a point soon in which this needs to be changed.
- Quotes from BBP members:
  - Many responses expressed agreement with the proposed use of the CRREM pathways:
    - *Yes, happy with 1.5C, but it feels odd to keep talking about 1.5C when the science is suggesting it may soon be out of reach.*
    - *Yes, makes sense to use CRREM pathways.*
    - *Yes - it is easier to have aligned targets.*
    - *Yes, important to bring the two bodies together so we are using consistent targets.*
    - *Yes, and it is good that the targets are not based on a % reduction against a company's baseline year.*

    - *Yes - useful to a set of aligned EUIs to work towards. Agree with suggestion that this should be at portfolio rather than building level.*
    - *Yes, on the basis there is no other global cross sector benchmark for real estate.*
- There were a significant number of responses that agreed with the proposed but had additional concerns or questions:
    - *Yes, but there is no distinction between new build and already constructed buildings (for listed buildings it may be a challenge to reach CRREM pathways. Also, we require further guidance when an asset is mixed use or when a CRREM pathway is not available yet.*
    - *Yes, if CRREM commits to producing more granular building types, which a 'mechanism' for dealing with tenant 'process' loads. Not yet suitable outside of EU (based on feedback from US and APAC colleagues)*
    - *CRREM is a useful tool to talk about and visualise progress and risk. Unsure how useful it is in for nuance in target setting.*
    - *Yes - but needs to accommodate more sub sectors such as life science or have guidance on how to deal with portfolios where the existing pathways do not cover all of the buildings - are those buildings excluded from the template?*
    - *"Agree in principle as a base case but have a number of issues.*
    - *Agree with the above that CRREM is not always right in some markets where local standards require faster decarbonisation.*
    - *Yes, but CRREM does not have fair coverage for all assets (warehouses, supermarkets, etc.) and more guidance for mixed-use.*
    - *Yes, but can this be at the portfolio level?*
    - *Yes, but it does not cover all asset classes (e.g., labs). It would be useful to have a tool that captures asset classes not covered by CRREM.*
    - *Partial Yes - However they do not differentiate between traditional/listed buildings and recently built construction types that may be easier to retrofit.*
- Several respondents expressed concerns about the use of the CRREM methodology:
    - *CRREM does not currently consider enough of the nuances between and across property types.*
    - *need guidance on appropriate pathway for when mixed uses in building e.g., retail on GF with offices above.*
    - *I see that as an issue - CRREM does not differentiate sufficiently within industrial warehousing so anyone looking at assets would be unclear if the building is stranded or the tenant within it.*
    - *The methodology to calculate is not sophisticated enough to cater for all the complexities of benchmarking real estate portfolios.*
    - *Where we have properties in Australia, it makes no sense to use CRREM when we're already using more sophisticated systems such as NABERS at a portfolio level."*
- Other questions raised by BBP members included:
    - *Does it cover exclusions within SBTi guidance, such as historical/ listed buildings?*

3. Do you agree with the choice of data and methodology to develop the upfront embodied emissions pathway for the buildings sector? (See the 'SBTi Embodied carbon pathway development description' available on the SBTi buildings website for further details)

- The responses regarding the choice of data and methodology for developing upfront embodied emissions pathways for the buildings sector are mixed. While some express concerns about limited data, ambitious targets, and the need for consistency and guidance for retrofit projects, others appreciate the inclusion of upfront embodied carbon targets and the recognition of urgency in addressing embodied emissions.
- Quotes from BBP members:
- Several respondents expressed concerns about the choice of data and methodology:
    - *I do not think it makes sense for Contractors to need to report annually based on emissions from that year and Developers just report at the end of the project. It is the same data but inconsistent reporting requirements.*

- *It is difficult to set up baseline if we have not collected data for 2020-2021 for all the projects. It is also not very consistent between different developers how they calculate upfront carbon; industry is not there yet to provide this on some relevant level.*
    - *How would this be applied to a major retrofit - like a strip back to core? Would that be treated as a newly constructed building?*
    - *Is there guidance for refurbishments?*
    - *How do you define 'new' buildings vs major refurbishments?*
  - *The 'other' pathway has a wide coverage which makes it an unfair category.*
  - *We fall into 'other' pathway - on the face of it this does not look detailed enough for the range of buildings we build - i.e., pure logistics, data centres, bakeries etc.*
  - *Partial no - The data used is far too limited.*
- Other respondents felt the targets were ambitious and important, but feel there could be further clarification or guidance needed to support this:
  - *The long-term targets are ambitious. It would be useful to understand if/how the trajectory aligns with the SBTi pathways for cement and steel.*
  - *Would like to see additional category breakdown e.g., residential stand alone and high rise - they will have different intensities.*
  - *I think embodied is really important, but we still have quite a variety in terms of quality of assessment. It seems difficult if you only deliver buildings occasionally as there is no baseline.*
  - *We have a lot of real estate that would be classified as 'other' so I am not sure how vague/useful that guidance would be.*
  - *There is not enough consistency in accounting for the problem in the first place, but I do admire the ambition of setting a decarbonization pathway.*
  - *Fully agree with the need to have upfront emissions targets, they do look ambitious which again is what we need to see but the consistency of WLCA in the UK, let alone globally, has still got a way to go.*
  - *It only refers to new builds. What about existing buildings? The targets are also ambitious to meet.*
  - *Those targets appear relevant to high-rise resi only, not low rise - there probably needs to be more granularity in targets for different sectors, otherwise the targets become irrelevant (e.g., too easy for low rise resi).*
  - *The typology seems broad.*
- Further questions raised in the responses included:
  - *Embodied carbon reporting for us is 'lumpy', how do you set a baseline year in a fair way?*
  - *Embodied carbon targets might need to be considered by geography (similarly to climate), as seismic zones increase the embodied carbon associated with structure considerably.*
  - *Given that there are a number of institutions working out embodied carbon, it seems odd to commission standalone work?*
  - *Carbon assessment methodologies and calculation tools - differ significantly in scope and database. How can we guarantee we are comparing apples to apples on a fair basis between the different groups? - A quality assurance process?*
  - *How will they make sure the calculations are consistent?*
  - *Historically a goal of measuring absolute was to limit traditional methods of growth. Taking this conversation off the table entirely could have wider implications on the sustainability narrative and actually achieving changes we need to see.*
  - *(re the above) Agree w/ this. SBTi typically looked at an org's absolute emissions, the shift to intensities only might lose sight of an organisation's complete carbon footprint.*
  - *At individual development level: What happens if you overshoot the target? Are you not meeting your SBTi, or you would offset the excess?*
  - *Unsure on the rationale behind there being two options for pathways. If option one is what is required, then that is what the guidance should say?*
- Responses showed general support for the approach:
  - *Love how embodied is so important in the new guidance. I am not sure how achievable some of the longer targets are. In the global south with more newbuild. Putting a lot of expectation of materials sectors fixing their problems in the near term.*

- *"Intensity targets are challenging but don't seem too out of kilter with wider industry targets. Couple of points:*
    - *Agree with it is inclusion and general approach.*
    - *Great to see upfront embodied carbon targets added. If the trajectory is science-based, then it fits the brief and no issue with the steepness of it as that is the reality.*

4. Do you agree that the guidance and pathways chosen sufficiently incentivize near-term IN–USE emissions reductions in the buildings sector?

- The responses present diverse perspectives on whether the chosen guidance and pathways sufficiently incentivize near-term in-use emissions reductions in the buildings sector. Some express doubts and propose alternative approaches, while others support the chosen pathways but raise concerns about clarity, penalties, and enforcement mechanisms.
- Quotes from BBP members:
  - Some members felt that they were not sure if the chosen guidance and pathways sufficiently incentivise reductions:
    - *The only incentive I can see is to avoid being stranded. But as-yet there is no relation to this risk and building value.*
    - *Only if you pay the energy bills.*
    - *Unsure they incentivise at all. Do they aim to?*
    - *Not sure on GHG pathway, would prefer energy pathway if using terms such as 'sufficiently incentivise near term.'*
    - *Targets alone will not be incentive enough unless we start to see pricing readjustments.*
    - *Given the structural issue with building classification, I do not believe there is enough incentives.*
  - Some responses agreed or offered further comments on the targets and offsetting:
    - *Potentially if there is any relation to it being Article 8 aligned.*
    - *Yes - if CRREM pathways are used as sets annual target. Unclear on penalty if target is not met.*
    - *I trust it is better if SBTI will incentivise (for the 10%) carbon reduction offset on the short/ medium term and carbon removal offset on the longer run - this is to incentivise retrofit and energy efficiency at first. Now the only acceptable offset is carbon removal.*
    - *I was expecting to see a more energy focused target instead of carbon. However, since the market-based approach is not allowed for scope 3 emissions energy and hence carbon will need to be reduced to achieve the targets.*
  - There were a number of areas members expressed it would be useful to have further clarification:
    - *What is the mechanism for ensuring the targets are met? For example, if one out of 100 buildings do not mean the target, what is the penalty or recourse? What is the reporting requirement?*
    - *Not clear if target is portfolio wide or asset specific.*
    - *Is CRREM clear enough yet as to whether use of off-site renewable energy can count towards the pathway? I do not think it is.*

5. Do you agree that the guidance and pathways chosen sufficiently incentivize near-term UPFRONT EMBODIED emissions reductions in the buildings sector?

- The responses provided indicate mixed opinions regarding whether the guidance and pathways chosen sufficiently to incentivize near-term upfront embodied emissions reductions in the buildings sector. While some believe that the targets are ambitious and will make people consider the long-term implications of development, others argue that more specific building types need to be considered and that regulations are necessary to incentivize action and hold manufacturers accountable.
- Quotes from BBP members:
  - Some respondents agreed that the guidance and pathways are sufficiently incentivising:

        - *Yes, even the near-term targets are punchy. I think this will make people think now about the long-term implications of development.*
        - *Yes, albeit ambitious. Need more granular building types.*
    - Other respondents felt that stronger incentives were needed:
        - *Having guidance is not necessarily the same as incentivising. If an organisation is not already committed to this agenda, then they will just see the costs, balanced against risks that are not tangible and with no evidence of impact on asset value, and then not bother with the rest. I do not see an incentive.*
        - *We need EU/UK regulations to support it. This does not give enough motivation to reduce or even collect embodied carbon.*
        - *No, regulation is needed to incentive developers and funders. That said, it might help us gain traction in markets that have no real awareness of the problem at the moment while we wait for local government action.*
        - *As the embodied carbon targets are ambitious - and SBTi offers many routes for compliance, it could result in weaker targets being set for operational & embodied, to make sure embodied are achieved.*
    - Other comments and questions raised in the responses included:
        - *Are manufacturers of building materials being held to the same standard for embodied decarbonisation?*
        - *50/50, we saw the action taken and uptake of SBTi when they were first released so I hope this will incentivize action, but I also agree that legislation and regulation is needed to strengthen this.*

6. **Section 5 of the guidance provides clarification and guidance for accounting for buildings-related emissions that is additional to that provided by the GHG Protocol, existing sector guidance and the SBTi general criteria. Are these clear and consistent in your view?**

7. **Do you agree that the whole building approach (described in section 5.1) for in-use operational emissions has been clearly implemented throughout the buildings target-setting guidance?**

- The majority agreed with the implementation of a whole building approach for emissions reporting, as it provides clarity and transparency compared with only covering landlord-controlled areas. However, there are concerns about the accuracy and availability of near-term data, potential issues with defining 'buildings in operation', and the burden of data collection. Overall, it is seen as a positive step, particularly for those responsible for the entire building.
- Quotes from BBP members:
    - *Will provide clarity in need to look at whole building data rather than hiding behind landlord area only. Issues around near-term data accuracy and holes (tenant data) but should not stop us reporting on building performance in this way.*
    - *Agree with the whole building approach to emissions. but i think this will fall down when defining what a building in operation is. this Disincentivises investors in assets where they do not have operational control.*
    - *no issues in principle with double counting of scope 3 - however, in the absence of good quality data, this could add an undue burden to collect data.*
    - *Great idea - Particularly challenging to get the data to complete the calculations.*

8. **In section 5.2 of the guidance architecture and engineering firms are required to account for the lifetime in-use operational emissions (associated with energy use) resulting from the use of their designed buildings in their emissions inventory under 'scope 3 category 11 use of sold products'. Consequently, they are required to set science-based targets on these emissions. Do you agree with this approach?**

- Agree.
- One participant felt that upfront embodied carbon emissions should be included as the architects responsibility and not just the operational emissions, stating that this was 'probably the greatest omission of the proposal'.
- The responses indicate a need for consistency and clarity regarding the approach to lifetime estimates for sold products. There are concerns about the lack of consistency in the UK and globally, and suggestions for the establishment of methodologies and principles to follow.
    - *Consistency around this is lacking just in the UK let alone globally. Would like to see methodology or principals to follow e.g., in UK do you use Part-L factors or modelled emissions? Do you assume no decarbonisation of the grid or say follow national forecasts?*
    - *This is wildly inconsistent between different LCAs and many unknowns around module B calcs. This dilutes a company's scope 3 emissions where they have greater influence (i.e., upfront embodied carbon) - would suggest removing the recommendation to report this.*
    - *Consistency around building lifetimes required both from point of initial sale and any further sales.*

9. Do you agree with the criteria (Buildings-C9) that requires the location-based method only to be used for deriving electricity emissions for target setting? (Section 5.3)

- The majority of BBP members agree with this approach but there were mixed views. Some members did however note that relying solely on location-based accounting may disincentivize investments in on-site renewables and green tariffs. The importance of dual reporting for transparency was emphasized.
- Quotes from BBP members:
    - *Use of renewables should be incentivized to keep greening the grid, this is lost by only using location based.*
    - *On-site renewable generation should be encouraged and incentivised, but recognise that not all sites can do this so should not be accounted for*
    - *Installation of on-site renewables and electrification of buildings are a large part of many building NZC strategies. Does this approach reduce the value of those investments?*
    - *Encourage dual reporting but target based on location.*
    - *This makes sense, but doesn't CRREM allow for market based in meeting asset level targets? The GRESB, CRREM, PCAF guidance was inconclusive on this and just said state both.*
    - *Dual reporting is key to transparency, but I am concerned about the counterincentives that location-based only introduces into the market for utility procurement to stop procuring renewable tariffs.*
    - *I think this might disincentivise green tariffs, but it does reduce risk of poor-quality green tariffs being used.*
    - *Also, disincentivises additionality of renewables (e.g., in instance of PPA)*
    - *Do not agree - tighten up on green tariffs. If necessary, we should change the rules on that.*
    - *Makes sense as green tariffs do not necessarily lead to energy reduction.*

10. In section 5.6 of the guidance, it is required that first owners/purchasers/financers account for upfront embodied emissions of a newly constructed building in their emissions inventory. This requirement is not in place for subsequent owners/ purchasers/ financers. Do you agree with this approach?

11. Do you agree with the categorization of emissions scopes as required or recommended for inclusion in the target boundary for different users in section 6.2.2 (Table 6 and Table 7)?

- BBP members agreed with the requirement for near-term scope 3 coverage, considering it sensible and a way to address material emissions. However, it was noted that this should not be to the detriment of other potentially material Scope 3 categories.

- Members showed general agreement with the approach to required near-term scope 3 coverage, and some felt it should be implemented prior to 2025. However, there are specific concerns and questions raised regarding the inclusion of district heating, peak load gas boilers, the timing of implementation, the challenges in different markets, the capacity of local grids, cultural preferences for gas cooking, and the definition of "new" in different scenarios. Overall, there is support for the approach but a need for further clarification and consideration of specific circumstances.
- Specific comments by user type:
  - Owner-occupier
    - Quotes from BBP members
      - *What if an organisation falls into several categories i.e., 'Owner-lessor, FI, and Developer? Would you need to do all 'required' across portfolio?*
  - Owner-lessor
    - The categorization of emissions scopes as required or recommended for inclusion in the target boundary for owner-lessor users is generally agreed upon, as the most material scope 3 categories make sense to be required. However, there is a concern about measuring embodied emissions in tenant-controlled spaces, especially in triple-net lease scenarios, as it poses a significant data challenge. Additionally, it is unclear why contractors would need to report embodied carbon emissions annually when developers only need to do it at the end of the project.
    - Quotes from BBP members
      - *These are usually the most material scope 3 categories and makes sense to be required.*
      - *agree with both, required, and recommended.*
      - *Measurement of embodied emissions in tenant-controlled space will be a serious data challenge, particularly in triple-net lease / FRI scenarios.*
      - *These categories broadly align to our reporting requirements.*
      - *Not on this slide but unclear why a Contractor would report embodied carbon emissions for each given year when developers only need to do it at the end of the project. They should be the same.*
  - Financial Institution
    - The responses express frustration about reporting as an owner-lessor while facing inquiries from investors regarding why they do not report as a financial institution. The respondent is uncertain about where an investment manager fits in the classification and believes that the division of categories for owner-lessors is generally suitable.
    - Quotes from BBP members
      - *This is PCAF, and we will get stuck in the place again for reporting as an owner-lessor and then also dealing with investors asking us why we do not report as a Financial Institution.*
      - *It is unclear to me where an investment manager sits in this classification where they manage on behalf of a third party that is the actual owner of the properties, owner-lessor is the closest fit. Broadly I think the division of the categories for owner-lessor are appropriate.*
  - Developer
    - The categorization of emissions scopes as required or recommended for inclusion in the target boundary for developers is subject to uncertainty due to complexities arising from organizations falling across multiple product categories. The definition of 'in-use operational emissions' should encompass regulated emissions only, and regional location-based emissions, rather than market-based emissions, should be considered when determining carbon factors for whole building consumption.
    - Quotes from BBP members
      - *There is a question around how the sold product categories are applied to organisations that fall across multiple of these categories e.g., a company that develops buildings, operates part of them for a few years and then sells them… or a company that owns assets, and also finances other developments.*

    - *What is the definition of 'in-use operational emissions' - e.g., regulated only or regulated + unregulated? Would suggest regulated only. What carbon factors should be used?*
    - *(re above) It is whole building consumption and requires regional location-based emissions not market based.*

- Quotes from BBP members on general approach to Scope 3 category inclusions
    - *In principle I agree. How is district heating included then (if partially fossil fuel based with DNO 'commitment' to decarbonise by 20XX)? Appreciate it states 'users'' buildings'.*
    - *Agree although I would question why 'from 2025' and why not 'from today'. I also recognise the challenge of developed markets vs developing, were gas reliance maybe greater, with this requirement.*
    - *If this is onsite and allows for DHW topped up by gas boilers where connection is mandatory in planning*
    - *Agree for onsite but would like clarity on where there are requirements to connect to district heat networks or not allowed from a planning perspective.*
    - *Not sure why they have to wait until 2025!*
    - *Completely agree but challenges with local grid capacity for going all electric, particularly in restaurant*
    - *Need to be conscious of different cultures with regards to cooking, e.g., Japanese cooking heavily relies on gas preference, and some cultures will only cook over an open flame. Can there be exceptions for inclusivity in gas for cooking?*
    - *What does 'New' mean?*
        - *Example 1: New build asset - No fossil fuels - Clear*
        - *Example 2: Replacing a broken gas boiler in an existing asset. Can I replace it with a refurbished gas boiler?*

12. The scope and applicability of the proposed target setting methods for companies in the buildings value chain is clear and reasonable (section 6.2.3). To what extent do you agree?

13. Do you agree with the additional buildings sector criteria for near-term targets which state that even if scope 3 emissions are <40% of total emissions, mandatory scope 3 targets should be included in the target boundary? (Section 6.2.2.1)

14. Do you agree with the following proposed commitment as an additional mandatory requirement for all buildings sector guidance users submitting targets for SBTi validation (section 6.2.3.4): "no new fossil fuel installations in users' buildings portfolios from 2025"?

15. Do you agree with the proposed commitment as an additional recommendation for all buildings sector guidance users submitting targets for SBTi validation (section 6.2.3.5, see Box 3 for how it would apply): "energy efficiency improvements in users' buildings portfolios must be in line with CRREM's energy-reduction pathways"?

- Respondents agreed with the proposed approach. One participant stated that 'Agree that public commitment and disclosure is a requirement. Whether it is in-line with CRREM could be debated.'

16. Is the energy efficiency commitment described in the previous question sufficient or should the guidance introduce a further commitment requiring architecture and engineering firms and developers setting SBTi buildings sector targets to: "publicly commit to designing all new build projects in their portfolio to be zero-carbon ready by 2025"?

17. **Sufficiency, referring to the reduction or optimization of floor area per capita as an emissions mitigation lever, is not extensively explored in the guidance as a) the sector decarbonisation pathways using the SDA do not consider sufficiency, and b) our focus on enabling companies to set science-based targets vs. providing additional guidelines and principles for the buildings sector as a whole. Applying sufficiency principles to buildings requires i) optimizing the use of buildings, ii) repurposing unused existing ones, iii) prioritizing multi-family homes over single-family buildings and iv) adjusting the size of buildings to the evolving needs of households by downsizing dwellings. Is this an area the guidance should seek to further address?**

18. **Do you agree with the approach for the inclusion of the fugitive emissions in the target boundary of intended users?**

- The consensus is that fugitive emissions should be included in the reporting approach, but there are concerns about the practicality and accuracy of measuring them, particularly for pan-European investors with multiple portfolio managers. Some argue that fugitive emissions can be unpredictable and challenging to estimate, suggesting they should not be included in reporting.

19. **Do you agree that grace periods of up to two years on the acquisition of existing buildings, as currently proposed in section 6.5.2.2, are a useful way to provide building owners and managers sufficient time for retrofitting and efficiency improvements and consolidation of emissions data?**

- Most of the responses agree that a grace period is necessary when acquiring existing buildings, especially due to the lack of consistent data sharing and the need to understand the building's energy efficiency. It is acknowledged that not much progress may be made within a two-year window, and some members suggest a three-year grace period due to financial constraints. However, some felt that transparency and quick target setting upon acquisition are important, and a separate grace period for improvement can be given.
- Quotes from BBP members:
    - *A grace period is essential, particularly as there is no consistency yet on data sharing from a seller so we even need at least 12 months to understand a building's energy efficiency post-acquisition.*
    - *Target setting should be transparent and be done quickly upon acquisition. Grace period for improvement can then be given separately.*
    - *Seems sensible, although its unlikely much will have been implemented in a two-year window.*
    - *I think a lot of BBP members have a 3-year grace period. Many assets are purchased with income which may make it difficult to make interventions in the first 2 years post-acquisition.*

20. **Do you agree with the inclusion of special considerations for portfolios with high turnover and find them appropriate and useful for target setting? (Section 6.5.2.3)**

- *Portfolios with high turnover*
    - The respondents generally agree with the SBTi's approach to portfolios with high turnover, although they raise questions about how such portfolios are classified and whether separate standards are applied to each fund. They believe that this approach simplifies analysis for large portfolios, but they emphasize the importance of disclosing absolute figures.
    - Quotes from BBP members on ‘Portfolios with high turnover’
        - How are portfolios with high turnover classified - and does this assume a separate SBTI for each fund. I.E some of our funds have a low turnover and some have a high turnover?

        - Yes, this would be preferred as it cuts down on complexity of analysis for large portfolios.
        - As long as absolute are still disclosed.

- *Increasing transparency with divestments*
    - The responses express a mix of opinions on the approach to misinterpreting divestments as emissions reductions. Some express confusion about whether emissions from divested assets should still be included on the balance sheet and raise concerns about different investment strategies and the practicality of reporting at a portfolio level. Others appreciate the concept of like-for-like reporting and the need for asset-level action and disclosure. Overall, the approach is seen as encouraging active management of assets, but there is a need for further guidance and clarification on implementation.
    - Quotes from BBP members on 'Increasing transparency with divestments.'
        - *Would require asset-level action and disclosure. Tricky to report at portfolio level, but this may be good to encourage.*
        - *This is a good idea, I can see having to report like for like, and a net position of divestment and investments although I am not quite sure exactly how it will work.*
        - *I like the concept but maybe tricky to deliver. Needs clarity in guidance on how to achieve.*
        - *Encourages active management of assets. Absolutely agree.*
        - *Difficult to provide commentary on reductions without being highly generic, especially in large portfolios.*
        - *If you follow SDA, then you should re-baseline when you divest.*

21. Do you find the worked examples useful in exemplifying the criteria and recommendations in the guidance? (Section 8)

- Quotes from BBP members
    - *Yes - Very Useful - Would be better to provide a template.*

22. Do you find the instructions in the tool easy to understand and follow?

23. I am able to use the tool to aggregate targets effectively in order to help communicate and report progress against my targets. To what extent do you agree?

24. The scope and applicability of the proposed target setting approach for FIs with investments in the buildings sector is clear and reasonable. To what extent do you agree?

- The proposed target setting approach for financial institutions (FIs) with investments in the buildings sector raises several concerns and lacks clarity in certain areas. There are uncertainties regarding bridging loans for planning applications, the distinction between asset managers and real estate funds, the applicability of the approach to financing smaller projects, and the role of FIs that do not have control over the entire building.
- Quotes from BBP members:
    - *We understand that the SBTi framework demands that it is applied at the whole organisation level, you can't just apply it to a business unit within a financial institution like ours. In practice this means the 'Building Sector' guidance would only come into play if were also to ensure that all other parts of our organisation (including all asset owner and manager activities across all asset classes!) were also brought under the SBTi methodology. This is disappointing, as it means we will (likely never!) be able to have a fully verified target even if the Building Sector method was adopted across our real estate business. It also means that SBTi verification will continue to remain most accessible to prop co's, REITS, and smaller firms. I can see great value in us using the guidance document to 'align' with SBTi but some of our investors are asking whether our target is verified by them too.*

- *We need clarity on what to do if you provide bridging loans for planning applications, and not the development itself.*
- *Financing smaller projects will not have embodied or operational calculations. Tricky to have target without the viability of running models to validate what can/has been achieved.*
- *I still do not think it is clear where the need for a whole building approach comes up against where an FI does not have "control."*
- *We are trying to assess if we can submit as a FI. We are a REIT - SBTi seem unclear on that.*
- *I have the same problem as with the PCAF methodology. Where does the asset manager end and the real estate fund and its investors begin?*

25. The criteria and recommendations in section 4.1 apply to both corporates and FIs, with additional criteria and recommendations for FIs only provided in section 4.2. Do you anticipate any issues for your organization in complying with all criteria and recommendations as they are currently described?

26. FIs can act as owner-lessors of buildings in their portfolio (either wholly owned or a majority shareholder). The emissions associated with the owned buildings are not considered scope 3 category 15 financed emissions under GHG accounting guidance for real estate (PCAF/GRESB/CRREM, 2023). In the Buildings Sector guidance, the target-setting guidance for FIs acting as owner-lessors of buildings is clear and reasonable. To what extent do you agree?

27. The approach and guidance on applicable target-setting methods, and which emissions must be included within the target boundary for FIs, for investments in the buildings sector is clear and reasonable, across all relevant asset classes. To what extent do you agree?

28. The approach and guidance on minimum coverage requirements from investments in the buildings sector for FIs is clear and reasonable, across all relevant asset classes. To what extent do you agree?

29. The approach and guidance for FIs to include embodied emissions from investments in the buildings sector is clear and reasonable. To what extent do you agree?

30. Under current SBTi guidance for financial institutions, FIs can choose whether location or market-based methods are used. Under the buildings guidance, for any investments in the buildings sector only the location-based method will be allowable. FIs will still be allowed to choose between the market or location-based method for any targets relating to investments into other sectors under current SBTi for FI guidance. To what extent do you think this will be an issue for FIs?

<u>Other comments</u>

On 'C11 - Buildings which have changed typology'

- BBP members agreed with the approach but highlighted the need for more granularity in property types and categories. One participant felt this this was irrelevant to them as the categories are too broad, while another stated that there are 'issues over the lack of granularity over some property types.'

On 'R1 - Information on absolute emissions reductions'

- BBP members agreed with the approach to absolute emissions reduction reporting, with some suggesting this should be a requirement, not just a recommendation. There were however questions raised about how this would be applied to open ended funds or companies with large changes in portfolio sizes due to new fund launches or existing funds changing size or closing.
- Quotes from BBP members:
  - *This just does not make sense for open-ended funds or companies with large changes in portfolio sizes due to new fund launches or existing funds changing size or closing.*
  - *Absolute emissions should always be reported given the environmental science. If some business types struggle with this, then this is an important conversation to have, and a narrative established as to why. This will stimulate the wider sustainability discussion.*
  - *This should be a requirement, not just a recommendation.*

On R2 - Floor area

- The responses highlight the need for consistency in determining whether to use Gross Internal Area (GIA) or Net Internal Area (NIA) for floor area calculations. There is recognition that different asset types may require different measurement approaches.
- Quotes from BBP members:
  - *There should be consistency over whether the GIA or NIA should be used.*
  - *Presumably, it has to be GIA, due to the separate whole building requirement.*
  - *Even within a single asset there can be multiple floor area types within use. Different asset types are typically measured differently, e.g., office NIA, industrial sometimes GEA or GIA, retail a mixture of GIA and NIA.*
  - *If using SDA, there must be a need for accurate area data?*

On R4 - Target recalculation

- Respondents agreed with the proposed approach.