

## Build in ESG

by Jackson Franks

According to the International Energy Agency (IEA), real estate generates 40% of global CO<sub>2</sub> emissions. The sector is therefore critical to global efforts to meet the Paris Climate Agreement's target of limiting average temperature rise to well below 2°C. With two-thirds of global building stock expected to endure into the 2040's, significant investment in decarbonisation efforts across existing infrastructure is required, alongside increasingly stringent (and capital-intensive) new-build regulations. Here in the UK, the Minimum Energy Efficiency Standards (MEES) are set to tighten by 2030, with all tenanted commercial property buildings requiring an Energy Performance Certificate (EPC) rating of at least a B. Meeting these requirements will demand substantial investment as it's estimated that up to 70% of commercial property space could be at risk of non-compliance.

At Momentum we believe it is vital for the sector to manage and reduce these levels. We hold the same expectation for our Real Estate Investment Trusts (REITs) in which we invest, as well as our in-house real estate fund, MAREF (Momentum Africa Real Estate Fund).

Momentum invests both directly and indirectly into the real estate sector via MAREF, a pooled vehicle facilitating investment in African real estate for our clients and REITs. Although these are two different investment approaches, the Environment Social and Governance (ESG) criteria do not differ. Quantifying ESG criteria within the real estate sector is simpler than other sectors due to the tangible living nature of a property. Environmental factors consider water and energy consumption as well as emissions from the building. Social factors consider the societal impact of the development (infrastructure, housing, job creation etc) as well as the health and wellbeing of its occupiers. This has become an even more important factor since COVID-19. Governance factors consider aspects such as diversity and reputation which can be applied to both the landlord (if invested indirectly) and the occupiers. Additionally, safety measures such as fire safety will be applicable towards governance scores.

In MAREF, we uphold stringent ESG standards. This commitment was recognised when we received EDGE (Excellence in Design for Greater Efficiencies) certification for our assets in Ghana in April 2023.

EDGE is a green building certification system developed by the International Finance Corporation (IFC). Additionally, we are working towards Leadership in Energy and Environmental Design (LEED) silver certification for our current project in Nairobi, Kenya. Similar to EDGE, LEED was developed by the US Green Building Council to set a benchmark for design, construction, maintenance, and operation of high-performance green buildings. IFC EDGE and LEED are comparable to BREEAM in the UK. In terms of the social aspect of ESG, one of MAREF's core principles is job creation. Throughout the construction period MAREF upskills staff so those with the most basic jobs can be trained in more specialist roles, thereby strengthening their future employability. MAREF prides itself on offering international Grade A standard facilities in developing markets thanks to the expertise of our sister company and developer, Eris Property Group (fellow subsidiary of Momentum Metropolitan Holdings).

The indirect investments, the REITs in which MGIM's daily dealing funds invest, have well-defined ESG policies that they strictly follow and are accountable for. Throughout our investment process, ESG principles hold significant weight as a key criterion. Not only do we expect managers to aim for the highest ESG standards, but also to provide concrete evidence demonstrating their successful efforts in implementing their ESG strategies. This proactive approach involves efficient management of energy, waste, water, materials, and carbon emissions. Such efforts are demonstrated through the day-to-day management of assets, wherein they work to minimise the carbon footprint of their portfolio while maintaining excellent service standards for their occupants.

At Momentum, we are committed to contributing to a more sustainable world, both through direct actions and indirect means. For this aspiration to be realised, it's essential for everyone to actively participate in propelling the implementation of ESG practices forward.



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