ESG Investment Checklist

Although application of ESG Investment Checklist standards on real estate varies, environmental, social and governance criteria (ESG Investment Checklist) are increasingly used by investors to screen companies and their practices. When developers are planning new projects or expanding a property portfolio, consideration of ESG Investment Checklist can be vital to success.

Following popular demand Drooms has produced the following checklist. The information below is especially useful for asset and portfolio managers preparing for a sale and details the documentation required to guarantee a smooth due diligence process. The checklist can also help identify new opportunities and makes it easier to maintain and review existing investments.

Environment	Yes/No	Notes	Information
Certification			
Does the property have official certifications?			There are many building certifications at local and global level that cover things like energy usage, waste management and green building materials. Many of these certificates are third-party sustainability certificates that can add value to a property. List all existing certifications in the notes section. If the certifications are benchmarked, include the level of certification in the list.

Environment	Yes/No	Notes	Information
Examples of common certifications include: › Energy performance certificate (EPC) › BREAAM › SKA			
Regulatory compliance			
Is the property subject to regulatory compliance?			Some real estate certificates are mandatory. You should use this section to include any regulatory certification or other compliance documentation. Include information on any annual reporting deadlines.
List all regulatory certifications or other such documents in the notes section.			
Has the property breached environmental agreements or been subject to prosecution or fines?			If the real estate has breached regulatory agreements, include information about the nature of the incident and any improvements done in the wake of the event.
Building materials			
Do building materials meet current requirements?			Use the space to include information on any potential problems with the property's building materials.

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Energy			
What is the property's Energy Performance Certificate (EPC) rating?			Include information on EPC rating, as well as details on when the assessment took place. You should also include details of any possible changes to the real estate in order to attract a higher rating, planned or otherwise.
Does the property have other energy certifications?			If there are any other energy-related certificates or sustainability certificates, include them here.
Is the property owner responsible for paying electricity bills?			Electricity bills can be the responsibility of individual leaseholders, such as renters. Use the notes section to include estimations regarding electricity costs.
Does the property have sub-metering installed?			Detail any information on submetering including data on location, maintenance, and upkeep.
Are there any unusual or noteworthy energy supply features?			These include things like district heating, wind turbines or solar energy panels.
Are there plans to improve energy efficiency?			Include any plans to improve energy rating or information on how this could be done.

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Water			
Are the water arrangements the same for the whole building?			List information about water metering arrangements (i.e. is the measuring for the whole building or for individual occupiers?). You can also use the notes section to include water utility costs.
Does the property have water efficient technologies on site?			Include information on water efficient technologies such as recycling technologies or rainwater harvesting systems.
Is there a sustainable drainage system in use on site?			Sustainable drainage systems (SuDS) are a natural approach to managing drainage. They have specific regulatory requirements that you want to identify in the notes section. Include any other efforts to manage drainage or possible problems in managing water flow in the building.
Are there potential sources of groundwater or surface water pollution on site?			You should detail any past issues with groundwater or surface water pollution. If instances of water pollution have occurred, include details on how the issues were handled. Identify any potential issues.
Air			
Does the property monitor air quality?			Include information on air quality monitoring and/or certificates.
Is the property used for activities that could create significant emissions?			If the property is linked to the transport or energy sectors include relevant information here.

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Waste			
Are there waste management facilities on site?			List information on how waste is managed on site, including information regarding recycling opportunities.
Is waste set apart on site?			Detail any information on waste segregation, including efforts to recycle waste in more detail.
Does the property produce large amounts of excess waste or hazardous waste?			Are any operators producing hazardous materials or excess waste on the premises? List information here.
Are there any waste management initiatives to minimise or reduce waste?			List any relevant property recycling projects.
Biodiversity			
Is the property on or adjacent to a designated site for protection of the natural environment or a local nature reserve?			If yes, provide information on the site and its designation. Include relevant information about the restrictions this might impose on the property.
Are there any protected species on site?			Provide information on restrictions to activities allowed on the property.
Are there any invasive plants on site?			Include information on any potential for invasive plants and/or any plans for dealing with these.

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Natural disasters			
Is the property in an area that is prone to natural disasters?			Include any details or assessments regarding issues such as flooding, earthquakes, tornados and so on.
Are there any risks to the property as a result of future climate change predictions?			There is still limited access to the potential effects of future climate change on real estate. However, you might find studies conducted in the area and information on potential issues future climate change might pose.
Is there any known ground contamination issue?			Include information on known ground contamination issues or any other such assessment. Detail information regarding any changes to the real estate in the wake of these problems.
Transport			
Is the property near public transport?			Include any nearby public transport options within walking distance (around 500 metres or less).
Are there car parking spaces provided on site for the property in question?			List the availability of car parking spaces and information regarding their management/cost.
Are there designated cycle/walk routes in the property or in the vicinity?			Outline any nearby cycle/walk routes and initiatives.

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Are there bicycle spaces for cyclists on site?			Include information on the number, as well as any relevant facilities available. For example, does the property have special cycle maintenance areas?
Does the property have a Green Travel Plan or similar?			Local governments can have certification and planning systems to support greener transportation initiatives. For example, the UK has a Green Travel Plan to promote sustainable transportation by businesses and other organisations.
Noise			
Is the property in a noise restricted area?			For example, the UK has Noise Abatement Zones which can restrict what actives are allowed.

These noise restricted areas can also influence property development. Even if there are no current plans for further property development, listing this information is helpful. |

Social	Yes/No	Notes	Information
Are there any socioeconomic risks associated with the property?			List any conditions the property owner should be aware of, including requirements for future development or commitments.
Do the property occupiers pose requirements for higher/strict environmental standards?			You want to be aware of any risks current occupiers might pose in terms of environmental compliance. For example, if the property houses businesses operating in high-waste industries.
Has a post occupancy evaluation, an occupancy satisfaction and/or a health and wellbeing perception survey been carried out?			Provide information about the survey, when it was conducted and the findings of the survey.
Are there strong community groups that may affect the operation of the development?			Find information on the neighbourhood characteristics, such as advocacy groups that may restrict/challenge the use or development of the property.
Are there current redevelopment plans in the vicinity of the site?			Include information on any regeneration and redevelopment plans that are in place. This includes public transport or open space projects that could impact the value and desirability of the property.

Governance	Yes/No	Notes	Information
Are there restrictions on property management?			These include all legal requirements by the property manager. You want to list any information relevant to property management agreements in the notes section.
Are there any characteristics that influence property adaptability?			Building conversions are important. You want to include any specific property characteristics/legal restrictions that could have an impact on adaptability here. These can include things such as access points, obstructive internal supports and height limitations.
Is sustainability discussed with occupiers?			If the property is used by businesses/individuals, you need to outline any sustainability or ESG Investment Checklist agreements that might be in place. Include information on current agreements and/or any future plans.