

Evolving Workforces

# How can financial services occupiers navigate the path to sustainability?

## VIEWPOINT

The sustainability agenda is more urgent for financial institutions than for many other types of occupiers, and the framework for disclosure, reporting, and regulation is likely to tighten.

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## Introduction

Both in business operations and real estate, the sustainability agenda is arguably more pressing for financial institutions than for other types of occupiers. Banks have a core role in financing the transition to green economies, and sustainability goals are also an explicit condition of access to some forms of finance, such as “green” bonds. Many banks have made prominent public statements about sustainability and are sometimes using it as a criterion for allocating credit and managing customer relationships, for instance in lending to commercial real estate or on residential mortgages.

Financial companies must therefore demonstrate commitment to their own sustainability agendas. Many have set 2030 goals for at least Scope 1 and Scope 2 emissions and have introduced transition plans to this end. However, some have stepped back from the Science Based Targets Initiative (SBTi) in favour of the Net-Zero Banking Alliance (NZBA), perhaps indicating concern that these near-term targets may be hard to achieve. At least one company has recently transitioned from an “emissions intensity” target for energy company loans towards an approach based on absolute emission levels.

The growing set of required disclosures, guidelines, and voluntary standards place an increasing onus on companies. They need to provide evermore detailed plans on how they intend to achieve their sustainability goals, rather than simply stating them, and more data on emissions and risks.

Many banks emphasise their role as community partners, which not only supports brand image but also aids in attracting and retaining talent, particularly younger workers. An emphasis on social and environmental performance is crucial for some financial companies, as some experience an employee turnover rate of nearly 20%, as reported by Compdata.

Sustainability objectives cover a broad and growing range of activities, including day-to-day operations and real estate decision-making, through location and building selection, design, development, and operations.

It will be increasingly important to develop an understanding of the full range of tools and processes that can support the delivery of sustainability targets, and the data necessary to power them.



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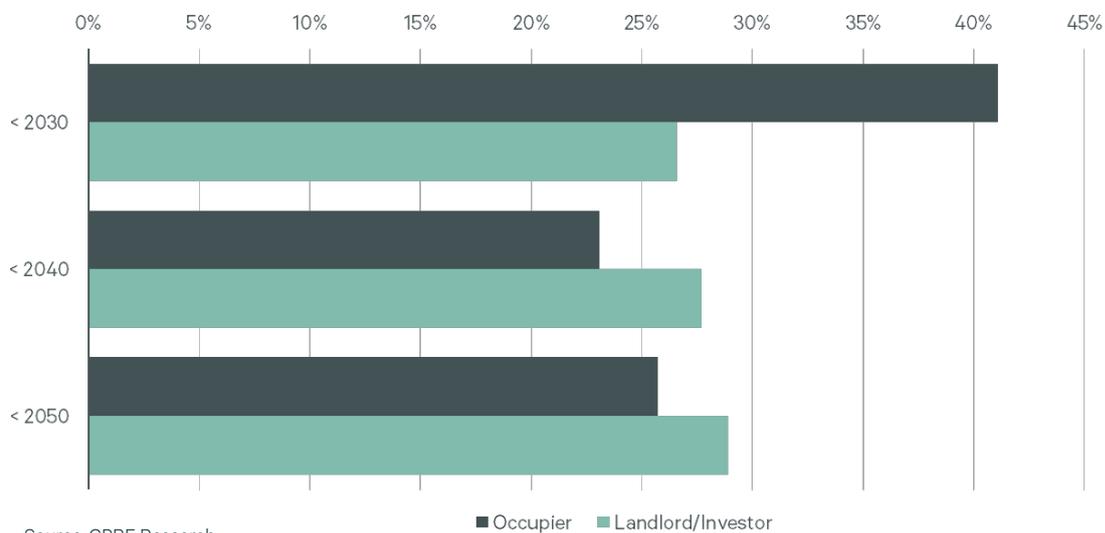


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The scale, geographic reach, and asset diversity of financial institutions’ portfolios means that they need to adopt a comprehensive and forensic approach to assessing and delivering sustainability targets, more so than most other types of occupiers.

Occupiers are also far more likely than investors to have near-term goals: 41% of European occupiers surveyed have net zero pledges for 2030 or earlier, compared with only 26% of investors (See Figure 1). This suggests that the short-to-medium-term availability of net zero aligned real estate could be largely driven by demand pressures from occupiers more than by investors' own sustainability targets. In their annual reporting, several major financial institutions have stated targets to reduce Scope 1 and 2 carbon emissions by 40% or more by 2030. It is becoming increasingly important for occupiers to source real estate that meets sustainability requirements, and to have access to supporting data, including data from landlords.

**Figure 1: Date distribution of net zero pledges, European companies**



Considering the ongoing cost constraints, CRE leaders in financial institutions may be wondering how, and in what order, to address the various challenges they encounter in the field of sustainability.



## More regulatory reporting

Generally, it is becoming increasingly important to understand evolving reporting frameworks, particularly for companies with a European footprint. This is a complex and rapidly evolving landscape that requires expert guidance, but some of the key elements can be identified.

The [Corporate Sustainability Reporting Directive \(CSRD\)](#), which:

01

Came into effect in January 2023 and strengthens the rules around companies' obligation to report social and environmental information. The initial requirement for companies to provide limited assurance will tighten towards reasonable assurance from 2028.

02

Increases the number of companies required to report on sustainability from about 12,000 to 50,000. Aims to ensure that investors have sufficient information to assess financial risks and opportunities arising from sustainability issues.

03

Stipulates a need for harmonised reporting, currently being refined, based on a clear taxonomy to streamline the process and reduce the costs associated with providing such disclosures.

04

Formalises greenhouse gas (GHG) accounting, with the inclusion of Scope 3 emissions in Category 15 reporting, relating to investments and designed specifically for banks.

The objectives of the [European Green Deal and the EU Sustainable Finance Strategy](#) include:

- Reducing greenhouse gas emissions, eventually to net zero.
- Targeting substantial part of the EU budget towards Green Deal objectives.
- Encouraging Europe to adopt the European Sustainability Reporting Standards (ESRS), which forms the reporting framework for companies that are subject to the CSRD. The aim is to help companies communicate and manage their sustainability performance more efficiently, and thereby have better access to sustainable finance.
- Expanding and increasing the transparency of the green bonds market.
- Incorporating sustainability considerations into financial advice.
- Developing and refining frameworks for reporting and disclosure of sustainability-related information.
- Developing, in collaboration with the European Banking Authority, phased methods for including sustainability risks into the supervisory oversight of banks and the risk assessment of “green assets”.
- Consulting on the disclosure requirements of financial companies under the Sustainable Finance Disclosure Regulation (SFDR) framework.

## More regulatory reporting (cont.)

The [Energy Performance of Buildings Directive](#), (EPBD) first introduced in 2010 and revised in April 2024, will make Energy Performance Certificates (EPCs) clearer and more transparent, and facilitate cross-country comparison of EPC performance. It seeks to:

<p>Gradually introduce minimum energy performance standards for non-residential buildings to support the renovation of buildings with the lowest energy performance.</p>	<p>Increase emissions standards for new buildings.</p>	<p>Introduce improved long-term renovation strategies, known as national Building Renovation Plans, which focus on enhanced energy efficiency and decarbonisation.</p>
<p>Modernise buildings and their systems for better energy system integration.</p>	<p>Launch building renovation passports.</p>	

Considering these factors alongside country-specific measures, the framework for compliance and disclosure is likely to become more stringent. It is also likely to extend further into the social aspects of sustainability in the future. In addition to the already prominent environmental aspects. With countries implementing the EPBD differently, the value of owned properties and costs relating to upgrading leased properties are emerging as areas for attention. What does this mean for corporate real estate decision-makers in financial institutions?



Most financial institutions occupy a range of asset types, each with their unique challenges. Some of these include:



## Headquarters

As part of the lease restructure of its global HQ in the City of London, a major multinational bank will be working on a full refurbishment project alongside the landlord and asset manager and will be targeting BREEAM Excellent and LEED Gold, or equivalent. Likewise, a large financial services company's European HQ in London is focused on sustainable development and achieved a BREEAM Outstanding rating.

Several others have recognised the growing importance of incorporating sustainability into HQ decision-making processes. As a result, "balanced scorecard" frameworks will need to be adapted to give sustainability greater emphasis, including management of the building's performance as well as certification. Increasingly, certifications are "hygiene factors", with occupiers also having to focus on the underlying metrics relevant to their strategic goals, such as energy use, emissions, and health & wellbeing features. This approach not only reduces costs by lowering energy use but should also reduce reputational and reporting risks, and employee turnover.



## Flex space

Financial institutions still typically use flex space for tactical purposes rather than strategic ones, partly because of concerns over quality of space and client perception. Sustainability can play a part in making flex space more attractive to the financial sector. Many providers are lagging in terms of sustainability but will need to improve their efforts to meet the demanding goals of their parent firms or customers. Land Securities' expansion of its MYO footprint in London, designed to the WELL building standard, serves as an illustration of advancement within the flex sector.



## Data centres

Data centre strategy is becoming an important issue as the proportion of emissions from offices trend down and digital usage trends up. The growing adoption of energy-hungry AI will exacerbate this trend, and data centre operators are likely to have to begin reporting energy performance data under a new EU-wide scheme from late-2024.

Balancing more aggressive approaches to energy efficiency measures while minimising downtime, and securing access to renewables at sufficient scale, are among the challenges. Some data analytics functions are relocating into Nordics markets, where issues such as latency and proximity are less critical and cheaper cooling is available. At the same time, power density per rack is rising, and the sustainability consequences of different cooling techniques is becoming more important.



## Corporate centres and retail branches

Some portfolios of these assets are of poor quality and, particularly for smaller assets, also suffer from significant variation in lease structure and landlord engagement.

Part of the solution involves consolidating into fewer high-quality hubs and refurbishing larger assets. Even so, remaining legacy space could hinder sustainability ambitions unless there is a willingness to incur additional refit costs.

## Case study

CBRE recently worked with a major global financial services company to develop and implement a plan to fulfil its net zero targets and manage sustainability risks across its portfolio. The company, which has over 160 offices and data centres worldwide, had committed to net zero targets, but lacked a comprehensive climate transition risk management plan at the portfolio level. This posed a significant reputational and regulatory risk if the company failed to meet its announced targets. To establish a robust decarbonisation pathway, CBRE:



Reviewed the existing data management systems and processes to understand the company's level of data maturity and recommended process and governance improvements.



Conducted a comprehensive data analysis of the portfolio to identify assets with a high emission risk and prioritise investment in decarbonisation and engagement with landlords.



Developed a portfolio transition plan, linked to multiple decarbonisation scenarios, to reduce sustainability risks to an acceptable level.

This approach led to the adoption of a series of dashboards, continually updated with new data. The company can now use the transition plan to guide future portfolio decisions and new projects in a way that helps contribute to meeting net zero ambitions and managing sustainability risks.



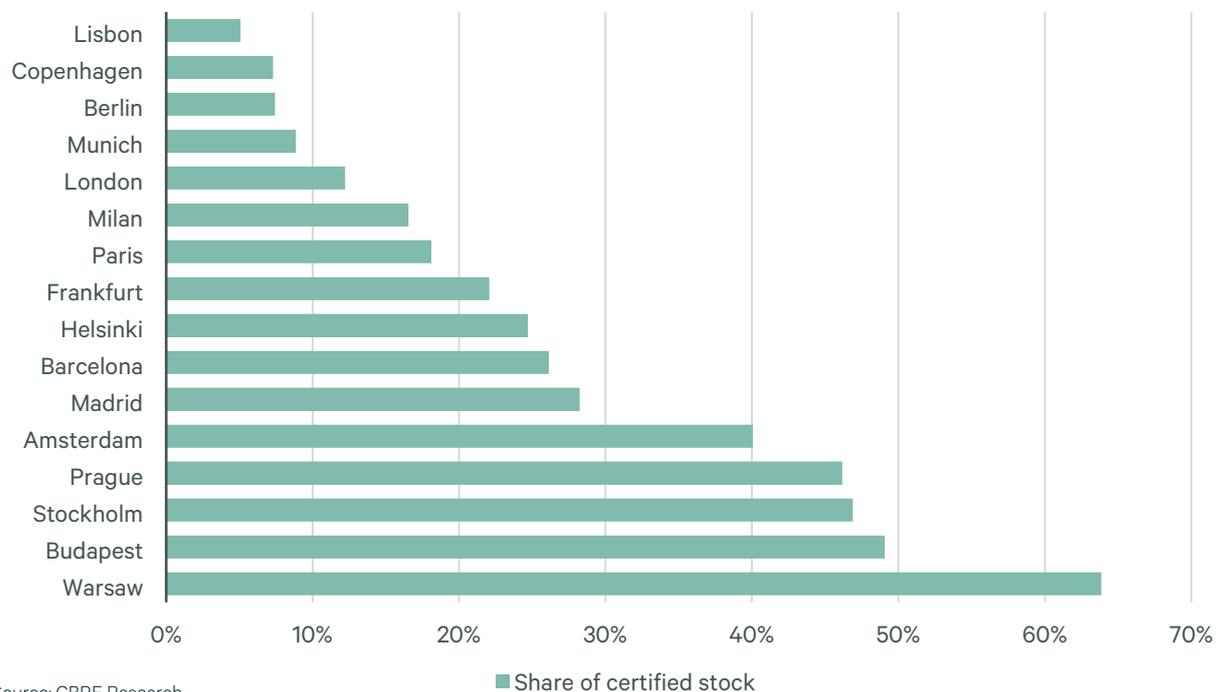
## The social side of sustainability

While there is a great focus on the environmental element of sustainability, it is important not to neglect the social aspect. There is an increasing emphasis on the social impact of real estate assets and the extent to which they align with other aims, particularly workforce wellbeing and talent management.

There is growing evidence to support the positive correlation between healthy buildings and range of beneficial outcomes for organisations. These include enhanced workforce health and wellbeing, higher retention and lower attrition, and improved productivity. Some of these benefits have directly measurable benefits, such as lower medical costs. Others require more evidence-based assessment, which is increasingly possible at both site and portfolio levels through accreditation and analysis tools. These tools, like the WELL Building Standard which measures the health impact of an organisation on its workforce, can provide favourable ROI characteristics and additional benefits related to a healthier, more engaged workforce. This includes value matching and health benefits. HSBC, Goldman Sachs, and Citi are among the financial institutions that have made public commitments to the WELL at Scale programme.

Financial institutions should consider the extent to which real estate markets in different cities can support their ambitions. The share of certified office stock, including WELL certifications, is rising, but still only represents 20% of overall stock, and this percentage varies widely depending on the market (See Figure 2). This further underlines the need for financial institutions to develop robust site analysis “scorecards” and approaches to green leasing when making decisions – with the market underserved with WELL certified assets they need to be able to assess the health and wellbeing benefits of buildings themselves.

**Figure 2: Share of certified office stock, selected European markets**



Source: CBRE Research

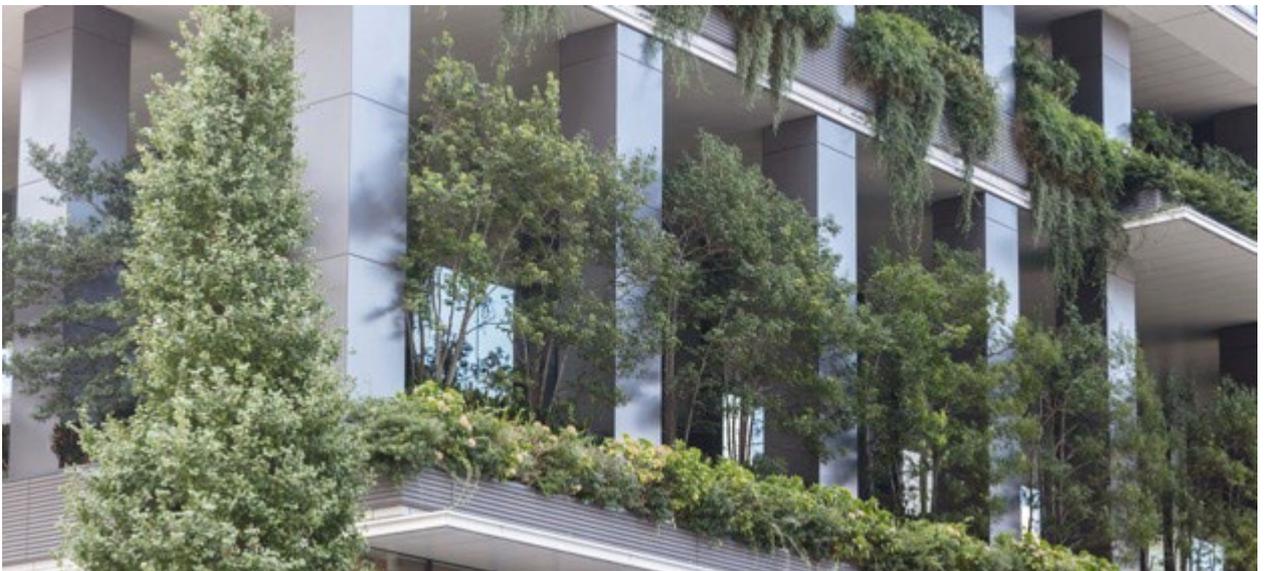
The social element of sustainability also includes providing sustainable transport for employees, as well as additional building features. A large number of companies view amenities such as bicycle storage and EV charging stations as [important building selection features](#).

The impact of real estate policies and decisions can also have a significant impact on the social wellbeing of the wider community. Some developments, such as Santander’s Unity Place in Milton Keynes, UK, offer community access and facilities. The social impacts of retail branch rationalisation can also be significant. Some banks have retained the last remaining branch in small communities, even if it is only marginally economically viable.

## Key takeaways

- 1** Prioritise the importance of establishing strong internal sustainability frameworks, covering information and data collection, management and verification procedures. Aim for a full and comprehensive assessment of the impact of relevant policy instruments, and for early compliance.
- 2** Develop an understanding of the full range of tools and processes that can support financial companies in defining and delivering sustainability targets. These include, but are not confined to:
  - Portfolio-level climate transition risk assessments
  - Building and portfolio-level wellness assessments
  - Portfolio decarbonisation pathways
- 3** Include sustainability criteria in any “balanced scorecard” approach to major real estate decisions, with adaptations for the specific asset type in question.
- 4** Establish effective strategies for identifying and communicating the value of sustainability initiatives in real estate portfolios, to enhance stakeholder support and aid in raising finance.
- 5** Align sustainability initiatives with employees’ growing desire to work for environmentally and socially-responsible companies. For financial companies, this will mean a strong focus on employee engagement, stakeholder consultation, and transparent communications.

For additional information, please refer to [CBRE Sustainability Solutions](#).





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