

**Feedback on the draft report for technical screening criteria
for the EU taxonomy on the four remaining objectives**

1. Who is ASPIM ?

The French Association of Real Estate Investment Companies (ASPIM) represents and defends the interests of its members, the managers of alternative investment funds (FIA) in real estate (SCPI, OPCI and other AIFs "by object"). Created in 1975, ASPIM is a non-profit association that brings together the actors of unlisted real estate fund management. In France, as of December 31, 2022, real estate FIAs represented a total capitalization of €314 billion and 4 million investors.

The total number of ASPIM members is 134, including 107 Portfolio Management Companies (PMC) approved by the Autorité des Marchés Financiers (AMF), subsidiaries of banking, insurance, foreign property management or entrepreneurial groups, and 27 experts who are professionals in the real estate and financial ecosystem (lawyers, consultants, auditors and experts).

2. General feedback on the EU Taxonomy

ASPIM strongly supports the sustainable finance agenda and shares the EU's political goal to channel investment towards the climate transition to fulfil its commitments under the Paris Agreement. We are resolutely committed to promote the integration of ESG standards into the management of non-listed Real Estate Investment Funds and to ensure they are involved in completing ambitious goals on social responsibility. To this end, ASPIM helped set up in 2016 a Social Charter for its members and lead an industry-wide initiative for the setting-up of a public Socially responsible investment (SRI) label dedicated to the non-listed Real Estate Investment Funds which has been approved and published by the French Ministry of finance and economy on the 23rd of July 2020.

Thus, ASPIM is fully supportive of an ambitious and well-calibrated European Taxonomy to harmonize criteria for identifying sustainable economic activities and to encourage the sector to more sustainable and transparent practices.

However, we are convinced that for the taxonomy to meet its objectives, it will have to value substantial contribution of the "7.7 Acquisition and ownership of buildings" activity, particularly regarding the transition to a circular economy or the sustainable use and protection of water, using levers of action for the construction/renovation phase and for the operating phase.

3. ASPIM's recommendations on the draft report for technical screening criteria on the four remaining objectives

3.1. Circular economy – 7.7 Acquisition and ownership of buildings

General comment

Activity 7.7 “Acquisition and ownership” is not considered as eligible to the circular economy (CE) objective in the draft delegated act. However, considering the pivotal role that real estate managers can play in ensuring building’s transition to a circular economy by engaging and collaborating with developers and suppliers along the construction, renovation and operations phases (choice of recycled or bio-sourced materials, deconstruction or reconversion of buildings), ASPIM would suggest making activity 7.7 eligible to the circular economy (CE) objective.

Comment on the activity substantial contribution criteria

The circular economy (CE) objective does not consider the activity 7.7 “Acquisition and ownership”. Yet, although the exploitation phase does not generate waste as sizeable as that of a site phase, the production of waste of an occupied building remains daily for numerous years. Many aspects are to be considered in waste management of a real estate asset once it is in operation; first, regardless of the asset class, all daily waste produced by the tenants themselves and the services they resort to (catering, cleaning, gardening). Then, the major changes in space layout or service and maintenance work which space out the renovations if done regularly. Stakeholders’ engagement is therefore key in achieving progress in circular economy.

Given the arguments hereinabove, and as solutions do exist, ASPIM proposes the following position:

To consider challenges that are specific to construction /renovation and operational phases ASPIM suggests making a distinction between the two of them for the activity 7.7. For new properties, the annex would reference to activity 7.1 “Construction of new buildings”. For a heavy refurbishment, the annex would reference to activity 7.2 “Renovation of existing buildings”.

ASPIM proposes strengthening aspects related to ownership by requiring compliance on the following:

- Use of electronic tools (detail of building materials, regular update of building features)
- To be consistent with the activity 7.2 “Renovation of existing building”, set threshold of 70% of non-hazardous waste sorted, recycled, or reused for tenant operating waste management and building operating waste management.
- Involve stakeholders in the global circular economy approach by including contractual clauses relative to waste sorting to leases and PM agreements. Leases clauses would require from tenants to impose waste sorting to service providers; PM contracts would require from Property Managers to report to the landlord on amount of waste produced and how they would be treated (sorting, recycling, reuse) as well as on amount of material used for service and maintenance work, coming from reuse or recycling.

Comment on the activity do not significant harm criteria

ASPIM and its members propose the following DNSH criteria for the activity 7.7 “Acquisition and ownership” in circular economy (CE) objective:

- **Climate change mitigation:** The building is not dedicated to extraction, storage, transport or manufacture of fossil fuels.
- **Climate change adaptation:** The activity complies with the criteria set out in Appendix A to this Annex.
- **Sustainable use and protection of water and marine resources:** For installations renewal, except for installations in residential building units, the specified water use for the following water appliances are attested by product datasheets, a building certification, or an existing product label in the Union, in accordance with the technical specifications laid down in Appendix E to Annex I to Delegated Regulation (EU) 2021/2139:
 - o wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min;
 - o showers have a maximum water flow of 8 litres/min;
 - o WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres;
 - o urinals use a maximum of 2 litres/bowl/hour. Flushing urinals have a maximum full flush volume of 1 litre;
 - o To avoid impact from the construction site, the activity complies with the criteria set out in Appendix B to this Annex.

For this criterion (Sustainable use and protection of water and marine resources), ASPIM draws attention on the thresholds that are not achievable for office class (gardening, restaurant).

- **Pollution prevention and control:** Measures are taken to reduce noise, dust and pollutant emissions during construction or maintenance works.

3.2. Sustainable use of water – 7.7 Acquisition and ownership of buildings

General comment

Activity 7.7 “Acquisition and ownership” is not considered as eligible to the water (WTR) objective in the draft delegated act. However, considering the pivotal role that real estate managers can play by promoting the sustainable use of water through the long-term protection of available water resources (measure of water reuse, maintenance of saving-water equipment), ASPIM would suggest making activity 7.7 eligible to the water (WTR) objective.

Comment on the activity substantial contribution criteria

The water (WTR) objective does not consider the activity 7.7 “Acquisition and ownership”. However, water faces many challenges such as scarcity and quality and given that tensions over water resources are likely to increase with the effects of climate change. Therefore, ASPIM and its members recommend integrating 7.7 activity into the water (WTR) annex.

To consider challenges that are specific to construction/renovation and operational phases, ASPIM suggests making a clear distinction between the two of them for the activity 7.7.

For new assets and refurbishment the annex would reference to activity 7.1 “Construction of new buildings” and should take inspiration from the DNSH (3) Sustainable use and protection of water and marine resources (building certification, label, flows thresholds mentioned).

For the operational phase of an existing asset, ASPIM proposes the following criteria:

- Water-savings management contracts on at least 80% of draw-off points such as counting plans or water-saving management contracts are essential to react quickly and efficiently to reduce water consumption.
- Counting plans of water consumptions to manage efficiency and detect leaks.
- Installation of water-saving devices on water inlets.
- Rainwaters harvesting and reuse of wastewaters to preserve underground waters and save energy.
- Use of zero-phytosanitary products in common maintenance (cleaning) to avoid water pollution and protect groundwater table.
