Linklaters

ESG – Key Issues for Real Estate
Global Q&A

ESG and the real estate sector

The age-old view that buildings symbolise a city's achievements remains current, but the urban landscape is being judged by a very different standard now, and it is one that increasingly does not praise scale without a corresponding demonstration of sustainability and alignment with environmental, social and governance ("**ESG**") principles.

The lifecycle environmental impacts of buildings present a complex array of challenges, and an increasingly vast corpus of policy and law has evolved around these.

ESG issues look set to continue to dominate the public and political agenda with real estate investors and lenders alike turning their attention to the ever-growing ESG-focused legislation and policies expected to be implemented by national governments over the coming years.

This guide considers questions that commonly arise on key ESG issues affecting the real estate sector and provides answers to those questions across 10 jurisdictions.

Contents

Key regulations – SFDR and Taxonomy

Real estate fund/asset managers looking to market their products in the EU are subject to two key European regulations: Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**") and Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**Taxonomy Regulation**"). These may have significant impacts on some players in the real estate market, as set out below.

We've summarised the EU-wide consequences of these regulations for the real estate sector below, and discuss jurisdiction-specific regulatory issues and developments separately on subsequent pages.

SFDR

SFDR imposes disclosure rules and requirements on financial market participants (including real estate fund/asset managers). The rules are broadly designed to harmonise disclosure requirements, and ultimately mitigate "greenwashing" in financial markets, by requiring sustainability-related claims about financial products to be accompanied by proportionate disclosure. The SFDR has applied since 1 March 2021.

SFDR presents a number of particular challenges for real estate managers:

- A number of the concepts used in the SFDR are very EU-centric, which can be difficult for financial products with global portfolios. For example, the definition of "sustainable investment" in the real estate context depends on the use of EPC ratings, which are only used in certain jurisdictions.
- Investments transitioning from "brown" to "green" do not qualify as "sustainable investments" if they cause significant harm at the time of investment. Those investments on the path to improvement cannot therefore fully benefit from a "green brand".

Taxonomy Regulation

The Taxonomy Regulation, which entered into force on 12 July 2020, employs a classification system to determine whether an economic activity is "environmentally sustainable".

To be "environmentally sustainable", an activity must:

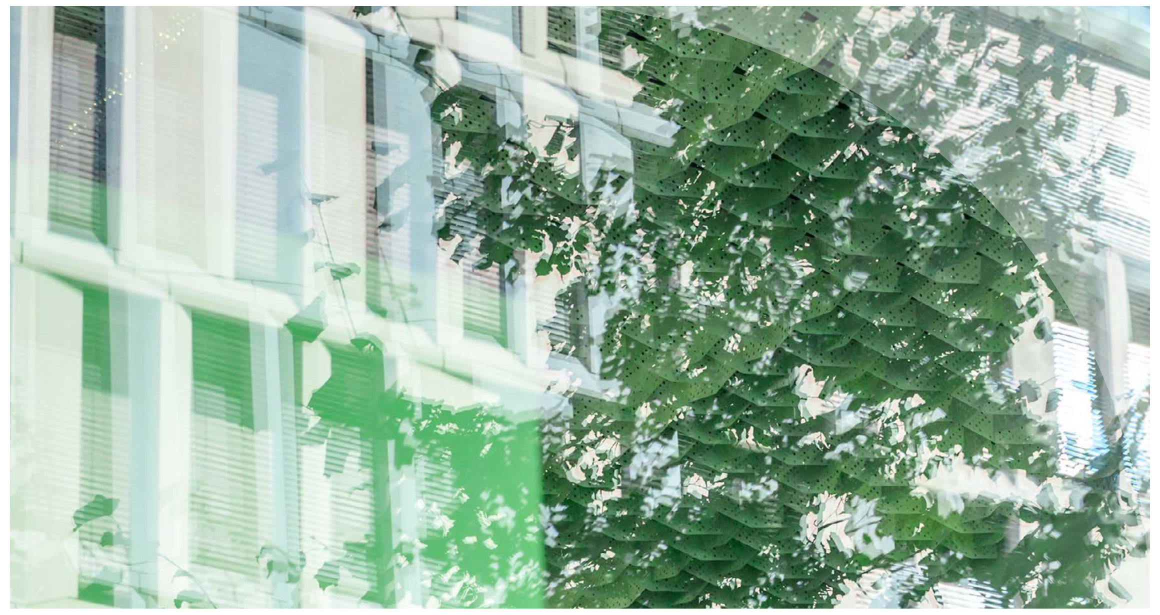
1. contribute substantially to one or more prescribed environmental objectives – the most relevant of these in a real estate context are climate change adaptation and climate change mitigation;
2. not significantly harm any environmental objectives;
3. be carried out in compliance with minimum social safeguards; and
4. comply with technical screening criteria – note there are detailed criteria for certain real estate-driven activities, for example the acquisition and ownership of buildings.

In December 2024, the President of the European Commission announced that three key sustainability regulations – the Corporate Sustainability Reporting Directive ("**CSRD**"), the Taxonomy Regulation and the Corporate Sustainability Due Diligence Directive ("**CS3D**") – may be combined into one. CSRD and CS3D are existing reporting and disclosure regulations. The main objectives of this initiative are to:

- simplify and streamline reporting requirements;
- maintain a level playing field;
- encourage sustainability; and
- provide clarity for businesses and investors,

all whilst maintaining the goals of the European Green Deal – see more on this below. Publication of this initiative is expected in early 2026. While the proposal does not specifically address the real estate sector, the emphasis on reporting and due diligence may indirectly impact those in the market by setting standards for compliance and sustainability in construction, operation and investment.

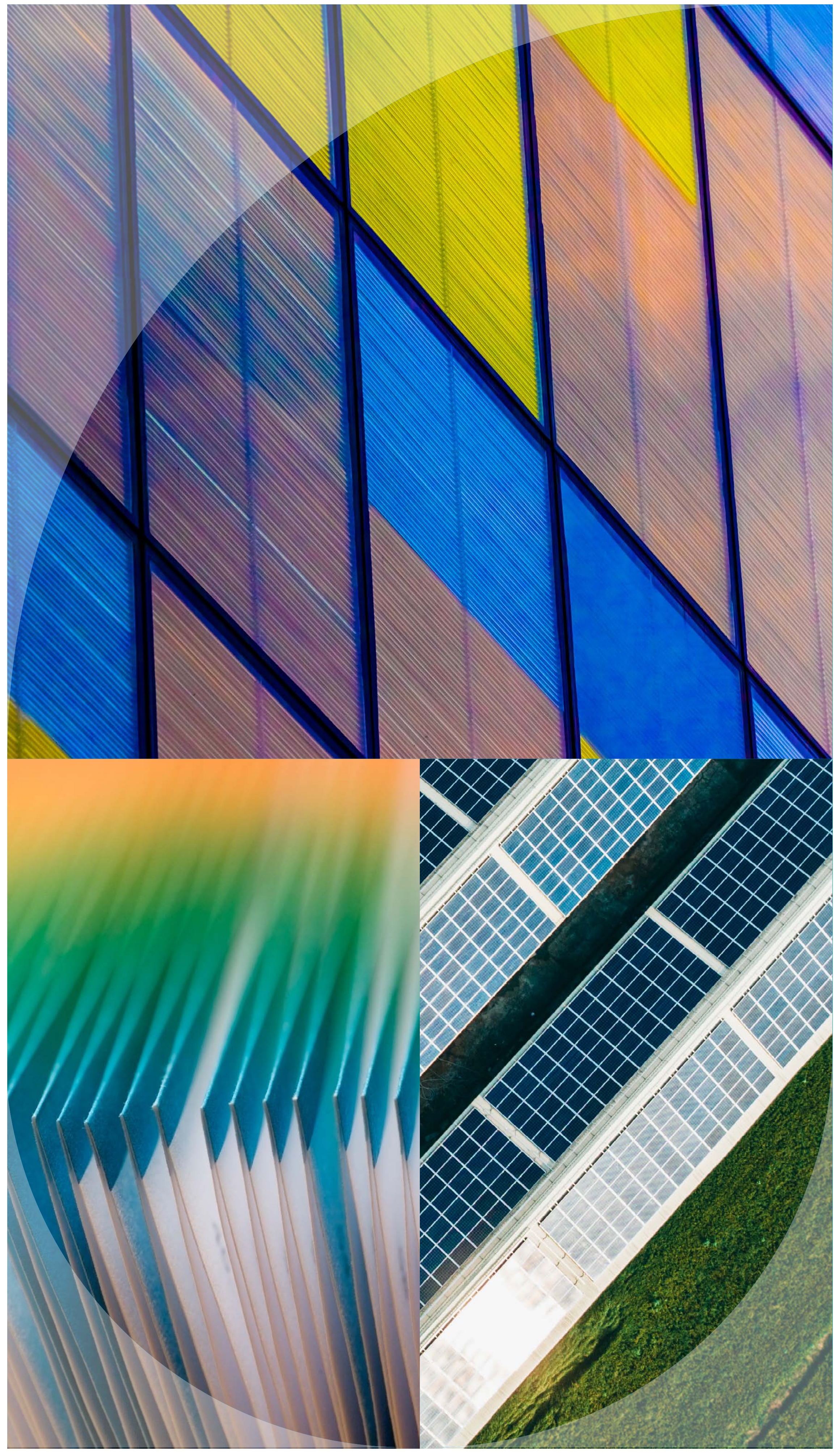
In particular, given the increased focus on transparency and efficiency in sustainability reporting, real estate businesses that fall within the scope of these amendments may also need to align with new standards and adopt simplified reporting practices.



The Green Deal

The Green Deal is a policy framework designed to help the EU meet its international commitments, with the key goal of achieving climate neutrality by 2050 through around 50 initiatives. The Commission has adopted several sector-specific roadmaps, including a new "Circular Economy Action Plan" published in March 2020. This plan focuses on promoting sustainable resource use, particularly in construction.

In 2020, as part of the European Green Deal, the Commission introduced its "Renovation Wave" strategy, with the revision of the Energy Performance of Buildings Directive ("**EPBD**") as a key initiative. The strategy aims to at least double the annual rate of energy renovations in buildings while ensuring these upgrades deliver greater energy efficiency and incorporate renewable energy sources. The Commission's proposal to revise the EPBD, presented in December 2021 (and adopted on 7 December 2023), was further expanded in May 2022 with additional measures under the REPowerEU plan to promote the use of solar energy in buildings.
The reinforced directive was adopted on 12 April 2024.



Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. The BREEAM, WELL and LEED certification systems are all used in Australia.

However, Green Star, which has been developed by the Green Building Council of Australia, and which is designed to suit the Australian climate, environment and society, is the most well-recognised and commonly used rating tool in the domestic market. GreenStar offers formal "crosswalks" and other pathways to enable certification under BREEAM, WELL and LEED to be counted towards certification under Green Star.

The National Australian Built Environment Rating System ("**NABERS**") is a national scheme which measures the environmental performance of Australian buildings, tenancies and homes across the areas of energy, water, waste and indoor environment.

At a portfolio level, GRESB is the most commonly used benchmarking platform in the Australian market, with the use of such platforms being particularly relevant for global asset managers who require a consistent assessment methodology across different geographical regions and jurisdictions.

Generally, there is no legal requirement to obtain these ratings, with some limited exceptions (eg, under the Commercial Building Disclosure Program detailed below).

The "flight to quality" remains a strong trend in the Australian real estate sector, with investors, lenders and tenants seeing greater value in assets with strong ESG credentials.

Are there any development requirements to deliver social/affordable housing, green space for public recreation, or other public benefit outcomes?

No. Planning and development controls are regulated by the various State, Territory and local governments throughout Australia, resulting in a wide array of different planning frameworks across the country. While a consistent feature is a requirement for developers to pay a development contribution, there is no requirement imposed on developers to deliver public benefit outcomes, social infrastructure or community accessible amenity as a condition for carrying out development.

Instead, governments have typically sought to incentivise developers to include social infrastructure and other assets for the public benefit – by rewarding developers with increased development height limits, greater allowable density or other concessions to the standard planning controls which would otherwise apply.

The availability and extent of any incentives offered to encourage the delivery of these types of benefits vary significantly depending on the location and nature of development which is proposed.

Do regulations relating to energy performance affect the letting of buildings?

Yes. Under the Commercial Building Disclosure Program, it is mandatory to disclose information about the energy efficiency of a building where commercial office space of over 1,000 sqm is offered for sale or lease (with limited exceptions). This information must be provided to a tenant or buyer in the form of a Building Energy Efficiency Certificate ("**BEEC**") which includes the Building's NABERS rating and a "Tenancy Lighting Assessment" (which measures the power density of the general lighting system and describes the capacity of installed lighting control systems). Sellers or landlords who do not comply with these requirements may incur penalties. There are no regulations mandating the energy performance of premises leased for other uses.

Are there any statutory requirements for "green leases" in your jurisdiction?

No. There are no statutory requirements for "green leases" in Australia.

In terms of market trends, Federal and State governments, in their capacities as large consumers/tenants of real estate assets, have for many years sought to lead and influence the Australian market through their procurement policies, by setting out green leasing principles (such as the "National Green Leasing Policy") which governments require landlords to demonstrate in order to remain competitive when leasing to government agencies and other public sector entities.

In the private sector, as ESG performance and reporting has become increasingly important to investors, financiers and tenants, it is common for major institutional landlords to include some form of ESG objectives or requirements in leases. However, the scope of matters covered, and the extent of obligations of either the landlord or the tenants under such ESG provisions in leases is far from standardised even within the portfolios of asset owners, with no consistency of requirements across the sector as a whole.

Examples of some ESG conditions in leases range from obligations for tenants to participate in ESG committees, to co-operate with the landlord's ESG initiatives or even to pay a sustainability contribution to fund such initiatives (at the most ambitious and demanding end of the market) to commitments supporting information sharing to enable the landlord and tenants to each comply with their own reporting/disclosure requirements (at the less onerous end of the market).

Are there any other ESG topics which are specific to your jurisdiction?

Yes. These include:

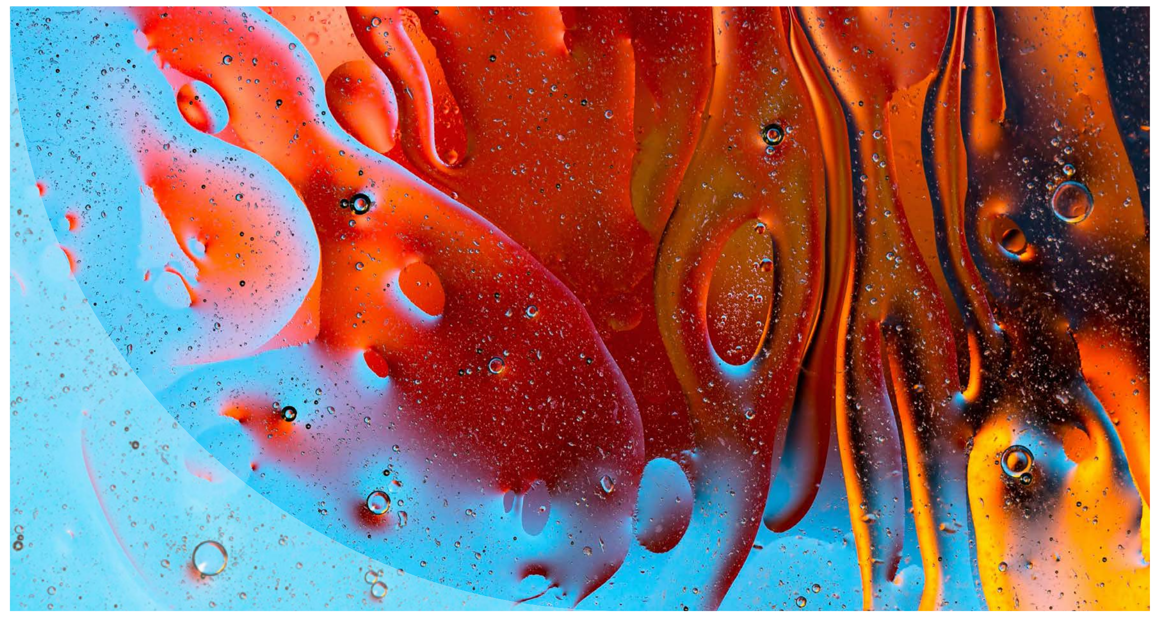
- Mandatory Climate Disclosure: Australia's climate-related financial disclosure regime commenced on 1 January 2025, establishing Australia as a global leader in mandatory climate reporting against International Sustainability Standards Board aligned standards. The regime introduces prescriptive reporting requirements into our corporations legislation, requiring eligible entities to prepare annual sustainability reports in parallel with their usual financial reports. Entities must commence mandatory disclosure on a phased basis over a three-year period.
- Workplace Gender Targets: Gender equality laws recently came into effect in Australia. The laws mandates that employers with 500 or more workers must set gender equality targets, with compliance tied to eligibility for Government contracts. Employers must select at least three targets from a specified list and commit to achieving or, at a minimum, improving on them within three years, unless they have a "reasonable excuse" for non-compliance. Private sector employers will be expected to report to the Workplace Gender Equality Agency on their chosen targets from 1 April 2026, and Commonwealth public sector employers will be expected to do the same from 1 September 2026.
- Ethical sourcing and modern slavery compliance: Under Australian Modern Slavery legislation, businesses are required to report annually about the steps they have taken to assess/address modern slavery risks within their operations/supply chains. In a real estate context, this is particularly relevant for the construction sector (eg, in relation to the sourcing of materials).
- Sustainable Finance Taxonomy: On 17 June 2025, the Australian Sustainable Finance Institute (the "**ASFI**") released Australia's first sustainable finance taxonomy (the "**Taxonomy**"). The Taxonomy is a voluntary classification system that identifies economic activities that deliver on key climate and/or sustainability objectives with reference to identified performance metrics, including thresholds, targets, and measures. It will enable investors to capitalise on "green" assets, as the Taxonomy is primarily aimed at supporting capital allocators, lenders, and investors to identify and substantiate the performance of climate-related opportunities and investments.

Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. The most used certification system in Belgium is BREEAM. It establishes an overall sustainability score for new and existing buildings. Although originally developed for the office market, the measuring method has been extended so that it can also be used for retail, industry, schools, hospitals, courts and prisons. Other certification systems which are commonly used include LEED and WELL.

A sustainability certificate is not legally required in Belgium, but there are advantages to obtaining one. In general terms, a BREEAM certified building will have a higher occupancy rate and higher rent value, which for long- and mid-term investments outweighs the additional certification costs.

Investors are increasingly looking at the Global ESG Benchmark for Real Assets ("**GRESB**"). GRESB assesses and benchmarks the ESG and related performance of real asset portfolios, with the aim of providing standardised and validated data to investors. GRESB is a metric for companies and funds, rather than individual assets, making it distinct from asset-based green certification schemes such as BREEAM, LEED, WELL or NABERS, all of which apply to individual buildings. In Europe, investors are increasingly requiring fund managers to achieve strong GRESB ratings – for instance, a minimum of four out of five stars or a score of 80%. Failure to meet these standards may result in investors declining to invest in the funds or even considering withdrawing their existing investments.



Are there any development requirements/ metrics for social housing, public realm, green/amenity space?

Yes. Various legal instruments – in particular urban planning regulations – impose obligations and restrictions in pursuit of ESG objectives.

In the first instance, the urban planning regulations in Belgium contain a variety of obligations with an ESG angle. For example, to design green areas, to contribute to the redevelopment of public infrastructure, or (for residential sites) to build a minimum number of social housing units. Such obligations often form part of the building permits for development projects.

In parallel, there is a strong focus on creating a high-quality residential environment, for example by providing access to work and retail outlets, green spaces and enhanced amenities. These efforts are complemented by promoting the efficient use of land and resources, preserving and enhancing cultural, natural and landscape heritage, and improving the energy performance of buildings.

Do regulations relating to energy performance affect the letting of buildings?

Yes. Energy efficiency is a regional competence in Belgium, meaning each region (the Flemish region, the Walloon region and the Brussels-Capital region) has adopted its own regulations regarding the energy performance of buildings.

One obligation that is common across the three regions is the requirement to provide an Energy Performance Certificate ("**EPC**") when entering into a lease. An EPC is a marker of a building's energy efficiency. In general terms, such obligation is (or will be, given this obligation is not yet in force in all regions for all types of leases) imposed on all types of leases, be they residential, commercial or office leases. Additionally, Belgium is beginning to regulate the energy performance of building portfolios. The Flemish region has adopted rules that are triggered on the passing of a notarial deed of sale or the vesting of a long-term lease right or right to build. Such buildings must meet certain minimum energy performance standards (regarding roof insulation, double glazing, central heat generators and cooling systems, for example) or minimum energy labels within a maximum of five years from the date of the relevant deed.

Non-compliance with obligations such as those outlined above can lead to substantial fines. Furthermore, from 1 January 2030 housing properties in the Flemish region must have an energy label of D/E (depending on the type of property) or below. Recent statements by the Flemish government also indicate that rent indexation will be prohibited for housing properties with an energy label of E/F or below from 2028, and that the letting of such properties altogether will be prohibited in 2030.

The Walloon region adopted a plan on 21 March 2023 aimed at introducing similar legislation. This proposed legislation would require residential buildings to achieve minimum energy labels within five years from the date of a relevant deed transferring ownership. It also includes provisions to ensure that properties being leased for the first time, or upon a change of tenant, meet minimum energy label requirements. However, this plan has not yet been transposed into law.

Similarly, on 23 February 2024 the Brussels-Capital region enacted an ordinance imposing various conditions on heating installations in new buildings and those undergoing heavy renovation. This ordinance (which is not yet in effect) requires existing residential units to meet specific energy consumption targets, some by 2033 and others by 2045.

Are there any statutory requirements for "green leases" in your jurisdiction?

No. However, "green" clauses (ie, clauses with a sustainability dimension) are becoming increasingly common in leases for Belgian residential, office and commercial real estate projects. Such clauses often relate to waste treatment, recycling, lighting and heating policies, among other things. The use of green clauses is driven mostly by private landowners, as they become increasingly aware of their growing obligations under the Taxonomy Regulation. Such landowners tend to consider green clauses to be valuable additions to their standard leases in light of investors' reporting obligations regarding environmental and energy efficiency standards.
That said, the willingness of tenants to not only accept these terms but to fully co-operate with them suggests there is appetite for similar policies that encourage the use of green leases in Belgium.

Are there any other ESG topics which are specific to your jurisdiction?

Yes.

A. Sustainability disclosures

Please see page 3 regarding SFDR, Taxonomy Regulations and CSRD. The CSRD was transposed into Belgian law by the law of 2 December 2024 on the disclosure of sustainability information by certain companies and groups and on the assurance of sustainability information. This law entered into force on 30 December 2024 but provides for phased implementation.

Since January 2025, with the entry into force of the "CRR3" banking package (a set of European Union regulatory reform), all European banks, including smaller ones, are required to publish information on their exposure to ESG risks. In their annual "Pillar III" reports, they must disclose the share of their assets aligned with the EU Green Taxonomy, their exposure to high-emission sectors, as well as the energy efficiency of the real estate they finance. The European Commission's objective is to measure banks' risks related to the energy transition (such as renovation obligations, bans on renting energy-inefficient properties, etc.) and to redirect credit flows towards more environmentally sustainable real estate assets.

Since 2022, the National Bank of Belgium requires credit and (re)insurance institutions to report on these exposures, given the significant role of real estate in their portfolios. The energy performance of properties is increasingly recognised as a potential climate transition risk for the Belgian financial sector.

To manage this risk, affected institutions will be required to request EPCs from their clients and, once in force, the CSRD will regulate the preparation and publication of sustainability reports.

B. Impact of Flemish nitrogen judgments on the granting of permits

In recent decisions, the Flemish Council for Permit Disputes has declared unlawful the Flemish government's temporary non-binding guidelines to assess the effect of nitrogen deposits on protected nature areas.

The Council considers that the guidelines (applying general threshold margins on such deposits, which differ for industry and agriculture) lack a scientific basis and fail to protect these areas from excessive nitrogen deposition. This means they are not compliant with the EU Habitats Directive. As a result, all projects located in the Flemish region and emitting nitrogen are currently facing serious legal uncertainty concerning their pending permit applications, and a few high profile projects have recently seen their permit refused or annulled on that basis.

A new decree was approved by the Flemish Parliament on 26 January 2024 which forms part of a larger deal concerning the trade-off between the interests of the building, the agricultural sector and the industrial sector. This decree was challenged before the Constitutional Court by a farmer's union in August 2024, and it remains to be seen whether this decree will stand.

C. EV charging infrastructure

The revised Energy Performance of Buildings Directive (2024/1275) states that new non-residential buildings and those undergoing major renovations with more than five parking spaces must: (1) install at least one electric vehicle ("**EV**") charging station per five parking spaces; and (2) mandate pre-cabling for at least 50% of car parking spaces, and mandate ducting for the remainder, to allow for more of these to be installed at a later date. By 2027, non-residential structures with more than 20 parking spaces will also be required to install at least one EV charging station per 10 spaces (or conduits for electric cables for at least 50% of car parking spaces, to allow for later installation of EV charging infrastructure).

In addition, bicycle parking spaces are now mandatory in new buildings and buildings undergoing major renovation, in an effort to remove barriers to cycling. More granular, and in some cases more stringent, obligations have been and are being introduced by Belgian regional governments, implementing and sometimes anticipating EU law. Notably, as of January 2025 the number of charging stations in Brussels must represent (i) for office parking zones, 10% of the parking spaces (with a minimum of 2), and (ii) for public parking zones, 5% of the parking spaces (with a minimum of 2). These measures will become gradually stricter in the coming years.

Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. Green rating systems are a means of mitigating the direct and indirect environmental impacts of construction through the encouragement, measurement and recognition of sustainable building performance. There are many different green certification systems worldwide. However, BREEAM, LEED and WELL are the most traditionally used in England and Wales, with NABERS a newer entrant.

BREEAM and LEED have certification systems for base build, fit-out, and in-use projects, while WELL evaluates the attributes of a building that impacts occupant health. NABERS (the National Australian Built Environment Rating System) is an energy efficiency in-use ratings system active in Australia for two decades but which has now firmly arrived on UK shores. NABERS UK provides energy ratings for both new buildings (known as "Design for Performance") and for existing office buildings in-use (known as "Energy for Offices").

Are there any development requirements/ metrics for social housing, public realm, green/amenity space?

Yes. The concept of Social Value (the "S" of ESG) is used by commercial real estate companies to measure the impact that properties have on local communities and society as a whole. Social Value serves as an umbrella term for broader social effects, and organisations which make a conscious effort to ensure that these effects are positive can be seen as adding Social Value by contributing to the long-term well-being and resilience of individuals, communities and society in general. It will increasingly become more important to value the longer-term social impact of a particular development within a traditional development appraisal.

The National Social Value Measurement Framework, or National Themes, Outcomes and Measures ("**TOMs**") was developed by the Social Value Portal and launched in 2017. Endorsed by the Local Government Association, its adoption is spreading rapidly through the local government sector. TOMs sit alongside many existing certifications (referred to above), including the UK Green Building Council framework for defining social values. Launched in February 2021, the framework focuses on well-being and quality of life improvements in relation to the interests of stakeholders impacted by a property. Asset managers and property/facilities managers are likely to have responsibilities or specific interest in certain key activities associated with social value.

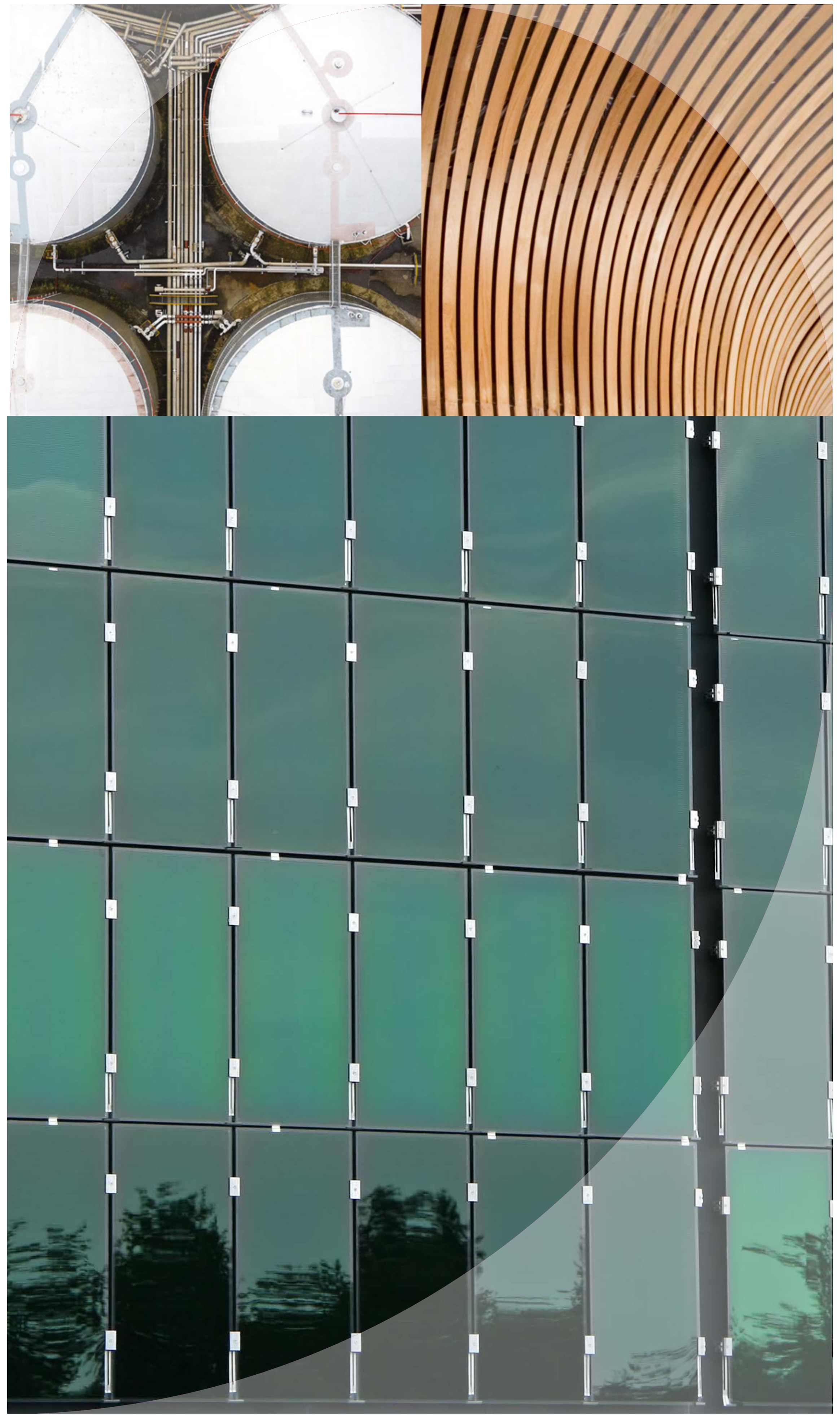
We are already seeing an increasing focus on ESG issues, resulting in specific monitoring and reporting obligations being included in Asset Management and Property Management Agreements and Social Value obligations may well follow as these metrics become more embedded.

Do regulations relating to energy performance affect the letting of buildings?

Yes. The Minimum Energy Efficiency Standards (MEES) Regulations came into force in England and Wales in 2018 and are intended to improve the energy efficiency of both residential and commercial private rented property as required by the Energy Act 2011. Since 1 April 2018, any new lease of commercial premises can only be granted if the premises have obtained a minimum "E" EPC rating. On 1 April 2023, this "E" EPC rating requirement was extended to all existing leases of non-domestic properties (unless an exemption applies and is validly registered).

In December 2020, the Government published its Energy White Paper announcing its aim for commercial premises to have a minimum "B" EPC rating by 2030. This was followed on 17 March 2021 by the publication of a consultation (which closed on 9 June 2021) on a proposed new framework for improving the implementation and enforcement of the EPC "B" target by 2030, with the proposed introduction of two compliance windows:

- First Compliance Window: 1 April 2025 – 1 April 2027: by 1 April 2027, all commercial rented buildings would need to have an EPC equal to or greater than "C", or register a valid exemption;
- Second Compliance Window: 1 April 2028 – 1 April 2030: by 1 April 2030, all commercial rented buildings would need to have an EPC equal to or greater than "B", or register a valid exemption.



Over four years later, the response to the consultation has still not been published and there is a general consensus that these compliance windows are no longer achievable and will need to be pushed back. The British Property Federation has called for a response to be published clarifying the relevant timelines without delay and has commented that the considerable uncertainty risks delaying the sector's wider transition to net zero. In the meantime, two further consultations have been launched on the EPC regime and MEES for domestic properties:

> In December 2024, the Government launched the EPCs consultation (which closed on 26 February 2025), seeking views on proposed amendments to the EPC framework (including the metrics used to calculate the EPC rating, the validity period of an EPC and measures used to improve compliance). The proposed amendments would affect both residential and commercial buildings.

> In February 2025, the Government launched a consultation (which closed on 2 May 2025) to seek views on its proposal to raise minimum energy efficiency standards for homes which are rented privately in England and Wales with the aim of reducing energy bills and alleviating fuel poverty. The Government proposes to require privately rented homes to meet a minimum energy efficiency standard equivalent to an EPC rating of "C" by 2030, and to require landlords to invest a maximum sum of £15,000 to bring a property up to the required standard. It is expected that a similar consultation on non-domestic properties will likely follow as part of the Government's long awaited response to the consultation from March 2021.

Are there any statutory requirements for "green leases" in your jurisdiction?

No. There are no statutory requirements which provide that "green" clauses must be included in English leases: however, it is becoming increasingly common to see such clauses in new leases. Many institutional landlords follow a sustainability agenda and will require clauses dealing with matters such as:

> maintaining (or improving) energy efficiency ratings;

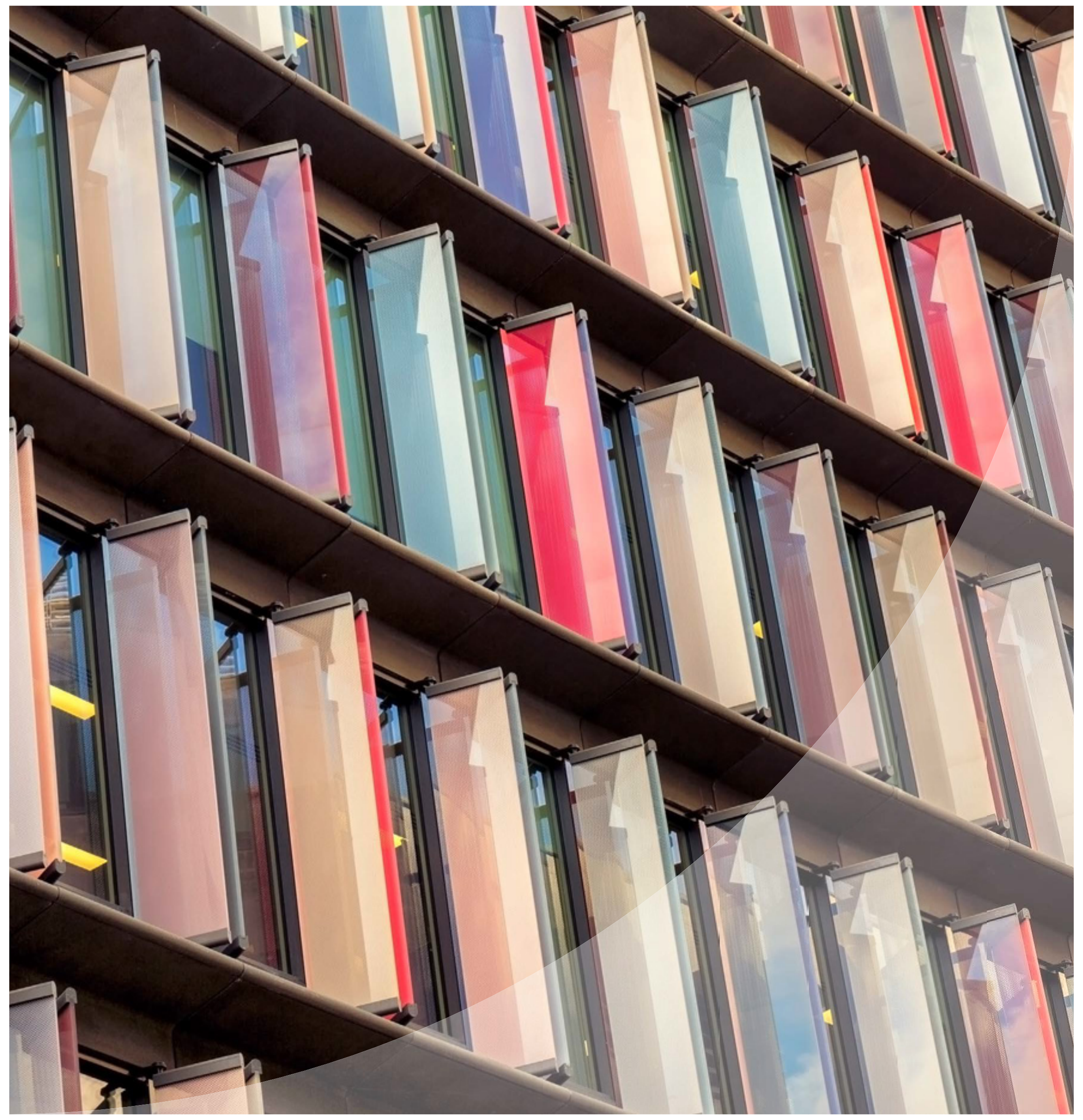
> using materials made from sustainable sources in any fitting out;

> sharing data in respect of energy usage; and

> agreeing resource and waste reduction targets.

As the ESG trend continues to gain traction, tenants (particularly those occupying office premises) are often keen to improve their ESG credentials and will therefore wish to consider the environmental, social and governance impact which their premises may have on wider society. When moving to newly constructed or newly refurbished premises, occupiers are likely to be in a position to influence the sustainability credentials of the premises (for example, by requesting certain environmental certifications to be in place). They may also be able to negotiate mutually acceptable "green" provisions and/or influence the sustainability of the building's design. In these cases, "green" clauses are a means to ensure that landlords and tenants work together to achieve their own ESG objectives.

That said, "green" provisions are not always welcomed by certain tenants. Any obligations likely to impose additional cost and/or administrative burdens could be resisted by occupiers who are not focused on ESG matters. In these circumstances, it is not unusual for "green" clauses to become heavily negotiated. The Better Buildings Partnership produced an updated toolkit of suggested green lease clauses in January 2024 which is seen as a comprehensive set of provisions which can be considered and a useful reference point for the market. See here for further detail on green lease clauses in England and Wales.



Are there any other ESG topics which are specific to your jurisdiction?

A. Electric Vehicle charging points in commercial buildings

On 15 June 2022, the UK government amended the Building Regulations 2010 to require the installation of electric vehicle charging points on all new build properties in England. On 24 November 2023, new legislation (the Public Charge Point Regulations 2023) came into force to improve the safety and reliability of public chargers (eg, requiring public chargers to meet a reliability standard of 99%).

B. Solar panels in new builds

At the time of writing, it has also been reported in the press that the government is soon to confirm that the vast majority of new build homes in England will need to have solar panels and low-carbon heating – such as heat pumps – as well as high levels of energy efficiency.

C. SDR

The Sustainability Disclosure Requirements ("**SDR**") is the UK regime that most closely resembles the EU SFDR (on which see page 3), although with differences in scope and approach. The SDR consists of: (i) an anti-greenwashing rule applying to all FCA-authorised firms; (ii) sustainability labels for UK funds; (iii) naming and marketing rules for UK retail funds; (iv) rules for distributors of investment products to UK retail investors; and (v) entity-level disclosure obligations for UK fund managers. The rules were finalised in November 2023, with the anti-greenwashing rule having become effective in May 2024 and the sustainability labels available to be used since July 2024.

Like the EU SFDR, the SDR is asset-class agnostic. Currently, the SDR does not apply to non-UK funds or separately managed accounts, although this is expected to change in future. The only SDR product-level rules that apply on a mandatory basis are to those products that are made available to retail investors, although sustainability-oriented institutional real estate funds may wish to opt into the SDR labels to improve their credibility.

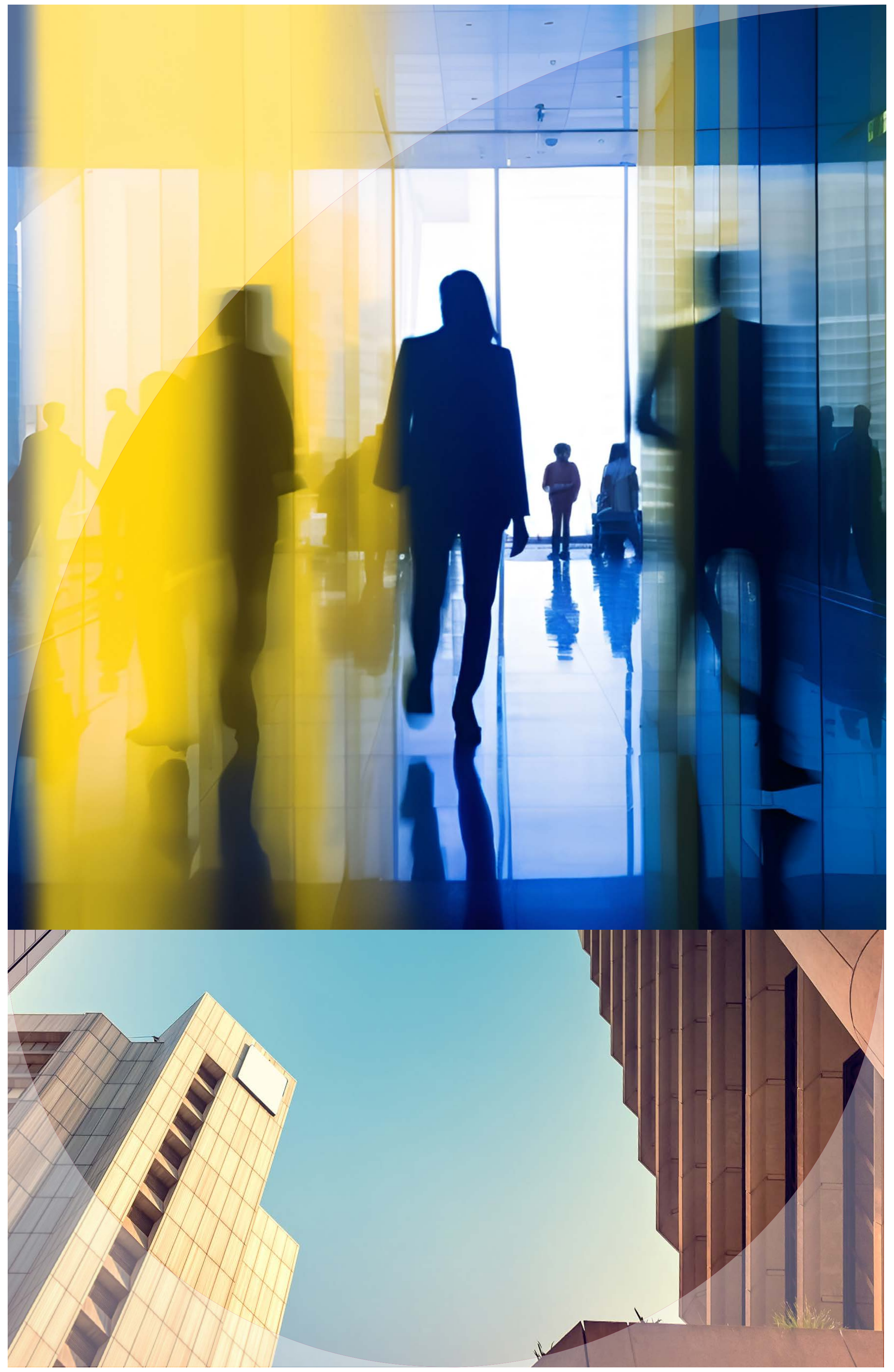
Unlike the EU SFDR regime, the SDR sets out more specific criteria for each of its four labels. For example, all labelled funds must have an explicit "positive" environmental and/or social sustainability objective supported by the fund's investment strategy and policy (with at least 70% of assets invested in accordance with such sustainability objective).

As such, funds that merely promote environmental or social characteristics (as per Article 8 of EU SFDR) may not qualify for any label under the SDR. Although the anti-greenwashing rule and entity-level sustainability disclosure obligations represent an evolution of pre-existing requirements, UK fund managers should be aware of the specific guidance applicable to these requirements to ensure compliance.

D. Biodiversity Net Gain

Introduced in February 2024, Biodiversity Net Gain ("**BNG**") aims to create and improve natural habitats through ensuring development projects have a measurably positive impact on biodiversity by delivering a BNG of 10% compared to what was there before the development. BNG is a transformative approach to real estate development, and understanding these requirements is essential for developers, local planning authorities and landowners who are intending to sell parcels of land for development.

On 26 June 2025, the Department for Environment, Food and Rural Affairs announced it is delaying the introduction of BNG for nationally significant infrastructure projects ("**NSIPs**") from late November 2025 to May 2026.



Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. Several internationally-recognised environmental accreditation systems are used in France, including BREEAM, LEED, and WELL. Among these, BREEAM Excellent and LEED Platinum are especially highly regarded and serve as benchmarks for excellence and leadership in sustainability in the French real estate market.

In addition to these international standards, France has its own national certification systems:

A. *Haute Qualité Environnementale* (HQE)

HQE (High-Quality Environmental Standard) is the most prominent French certification. It applies to the entire lifecycle of both commercial and residential buildings, from design and construction to renovation and operation, and also covers urban development projects. HQE addresses sustainability, resource efficiency, and user well-being. Since 2012, HQE accreditation has also been available internationally for non-residential projects.

B. Effinergie labels

Effinergie, an association of various organisations, has introduced several labels focused on energy performance for new or renovated buildings, including:

> BBC Effinergie (very low energy consumption);

> BEPOS Effinergie (positive energy buildings); and

> BEPOS+ Effinergie (enhanced positive energy standards).

In summary, both international (BREEAM, LEED, WELL) and national (HQE, Effinergie) certifications are widely used and respected in France. BREEAM Excellent and LEED Platinum are recognised as marks of environmental quality and market leadership.

Are there any development requirements/ metrics for social housing, public realm, green/amenity space?

Yes. There are several key requirements and metrics for social housing, public realm, and green/amenity space in France.

Here are the most notable ones:

A. Climate and Resilience Law and APER law

France's regulatory framework on sustainability and green spaces is structured around two key pieces of legislation:

> The Climate and Resilience Law (Law No. 2021-1104 of 22 August 2021) established important requirements for sustainability, biodiversity, and the integration of green spaces in new developments.

> The APER Law (Law No. 2023-175 of 10 March 2023) aimed at accelerating the production of renewable energy, amended and expanded certain provisions of the Climate and Resilience Law. Notably, the APER Law revised articles introduced by the Climate and Resilience Law – including Article L.171-4 of the French Construction and Housing Code – to further reinforce requirements for renewable energy and green roofing.

Renewable Energy Systems on Building Roofs (Article L.171-4 French Construction and Housing Code)

Article L.171-4 was introduced into the French Construction and Housing Code by the Climate and Resilience Law and later amended and expanded by the APER Law (notably by Article 41) and related implementing decrees. The revised article, effective from 1 July 2024, applies to the construction (or major extensions) of:

1. buildings or parts of buildings used for commercial, industrial, or artisanal purposes or warehouse operations;
2. sheds designed for commercial use;
3. hospitals, sports facilities, recreational and leisure facilities, school and university buildings; and
4. non-covered car parks open to the public,

where such developments create a ground surface area ("*emprise au sol*") exceeding 500 sqm. It also applies to office buildings (or major extensions) exceeding 1,000 sqm of ground surface area.

These buildings must incorporate one of the following:

1. a renewable energy production system;
2. a system of vegetation based on a method of cultivation (for example, a rooftop cultivation system, with limited potable water usage and a focus on using reclaimed water); or
3. any other system that favours the preservation and enhancement of biodiversity.

From 1 January 2024, these measures require a minimum roof coverage rate of 30%. This rate increases to 40% from 1 July 2026 and to 50% from 1 July 2027.

Solarisation of Parking Lots (Article 40 APER Law and Decree 2024-1023)

To further contribute to sustainability goals, Decree No. 2024-1023 of 13 November 2024 implements Article 40 of the APER Law by introducing requirements for the solarisation of parking lots. It mandates that at least 50% of the surface area of parking lots – both new and existing as of 1 July 2023 – that exceed 1,500 square metres must be equipped with solar panels or similar renewable energy systems. This initiative is intended to accelerate the transition to renewable energy and advance national sustainability objectives.

The compliance timeline for Article 40 is as follows:

1. Parking lots exceeding 10,000 square metres must comply by 1 July 2026.
1. Parking lots between 1,500 and 10,000 square metres must comply by 1 July 2028.

For concession-managed parking lots, compliance is required upon contract renewal or by 1 July 2026, whichever comes first.

B. BACS Decree

The BACS Decree, codified in articles R175-1 et seq. of the French Construction and Housing Code, requires the installation of Building Automation and Control Systems ("**BACS**") in all non-residential buildings where tertiary activities (that is, service-related commercial or non-commercial activities) are carried out. This obligation also applies to buildings owned by entities in the primary or secondary sectors, whenever the heating or air-conditioning system has a nominal useful output above 70kW (meaning the maximum continuous heating or cooling capacity the equipment can provide under normal conditions).

Deadlines for compliance:

1. For buildings with systems having a nominal useful output above 290kW:
   - For any project with a building permit submitted after 21 July 2021 – whether for a new building or for major renovations or extensions – compliance is required immediately.
   - For other buildings (where the building permit was submitted before 21 July 2021), compliance is required by 1 January 2025.
2. For buildings with systems having a nominal useful output above 70kW:
   - For any project with planning permission submitted from 8 April 2024 (whether a new build or work requiring a permit on an existing building), compliance is required immediately.
   - For all other cases, compliance is required when the heating or air-conditioning system is renewed, and in any event by 1 January 2027.

These requirements aim to optimise energy management and enhance the energy efficiency of buildings.

Special rule for buildings connected to a district heating or cooling network:

For buildings that receive heating or cooling through a district network, the relevant power threshold is not the total size of the network, but the maximum capacity that the building's connection point (the "exchange station") can supply. This means one should look at the capacity indicated for the equipment connecting your building to the network, rather than the capacity of the entire district system.

Exemptions:

Exemptions may be granted if the building owner provides a technical and financial study demonstrating that installation is not economically viable, specifically if the payback period exceeds 10 years (or six years if the exemption relates to automatic temperature regulation by room or by zone).

C. PLU Bioclimatique

On 20 November 2024, the City Council of Paris adopted the new Paris Local Urban Plan ("***PLU Bioclimatique***"), an initiative aimed at transforming the capital into a more sustainable, inclusive, and climate-resilient city. This project forms part of a broader strategy to balance housing needs, economic activities, and environmental challenges within a dense urban environment.

One of the key priorities of the PLU Bioclimatique is housing and social inclusion. By 2035, the city aims for 40% of its housing stock to consist of public housing, with 30% of the total dedicated to social housing and 10% to affordable housing. To achieve this, new construction projects, major renovations, or changes in building use above 500m^2 in areas with social housing shortage must allocate at least 35% of the transformed area to social housing, rising to 50% in areas with severe social housing shortages. This measure is designed to address the growing housing crisis while fostering greater social diversity across neighbourhoods.

In parallel, the plan strengthens the reserved site easement system, so-called "*pastillage*", which designates specific land plots for residential development with a mandatory proportion of social housing to be developed in case of new construction, major restructuring, extension, elevation, or change of use. The PLU Bioclimatique includes 800 of such designated plots with a third concerning office buildings, down from an initial 1,000 following previous public consultation. Over the past two decades, similar measures have resulted in the construction of 10,850 new homes, including 8,300 social housing units.

Property owners with buildings in these designated areas must either comply with these obligations and develop in accordance with the new rules, or invoke their right of first refusal, requiring the city to purchase the property from them.

Another major focus of the PLU Bioclimatique is balancing residential and economic development. The plan introduces strict limitations on office space expansion, particularly in central and western Paris, where housing needs are most pressing. In such areas, any redevelopment of buildings larger than 5,000m^2 must include at least 10% residential space. Additionally, in response to concerns regarding the transformation of commercial areas, the PLU Bioclimatique prohibits the creation of "dark stores" and "dark kitchens" (being those that exist exclusively for online shopping) at ground floor level in certain areas, ensuring that neighbourhood businesses remain accessible and diverse.

Environmental sustainability is at the core of the new urban plan. The PLU Bioclimatique aims to reduce "heat islands", increase green spaces, and enforce environmentally responsible construction practices. Developers will be required to incorporate green roofs, planted facades, and sustainable building materials in new projects. Additionally, the plan seeks to increase the number of vegetated surfaces in the city to 40%, to improve air quality and urban cooling.

The PLU Bioclimatique is expected to reshape Parisian urban planning significantly, with a strong emphasis on climate adaptation, housing accessibility, and economic equilibrium.

Do regulations relating to energy performance affect the letting of buildings?

Yes. Regulations relating to energy performance affect the letting of tertiary as well as residential buildings.

Tertiary buildings

"Tertiary buildings" refers to non-residential premises used to provide services, such as office space, retail outlets, healthcare facilities, and educational establishments, regardless of the owner's main sector of activity. Article L.174-1 of the French Construction and Housing Code requires both landlords and tenants within tertiary buildings and the tertiary parts of "mixed-use building complexes" (where tertiary sector activities are undertaken on a floor area of at least 1,000 square metres), to implement measures aimed at reducing the final energy consumption of the building(s) by 40% by 2030, 50% by 2040, and 60% by 2050.

To support these targets, a dedicated digital platform – OPERAT – has been set up by the French government. OPERAT is designed for landlords and tenants to report annually on each affected building and to monitor progress against these statutory targets. Failure by landlords or tenants to meet the required reductions, or to report annually via OPERAT, can result in the Prefecture formally notifying them to comply or to establish a corrective action plan.

In cases of persistent non-compliance, administrative sanctions may be imposed, including fines and the publication of the names of non-compliant entities ("name and shame") to further encourage compliance.

Residential buildings

Recent regulations have strengthened the link between a property's energy performance and its rental eligibility. Energy-deficient residential properties are now subject to progressive restrictions.

- Since 24 August 2022, landlords of residential properties have been unable to increase the rent for properties classified as "F" or "G".
- Since 1 January 2023, landlords have not been able to enter into new residential leases in respect of properties with a final energy consumption per square metre of "surface habitable" area that exceeds 450 kilowatts per year (which corresponds to an extremely poor energy performance, classified "G").
- More generally, as of 1 January 2025, all properties classified "G" are no longer available for rent, regardless of when any rental contract was concluded. This ban will be extended in 2028 to capture residential properties classified "F" (very poor energy performance), and again by 2034 to capture residential properties classified "E" (poor energy performance).

These measures reflect the government's intention to improve the energy efficiency of the national housing stock, gradually withdrawing the most inefficient homes from the rental market and requiring both landlords and tenants in the tertiary sector to contribute actively to significant energy savings.

Are there any statutory requirements for "green leases" in your jurisdiction?

Yes. Since 1 January 2012, all new commercial leases or renewed commercial leases relating to premises of more than 2,000 sqm for office or retail use have had to include an environmental appendix (*annexe environnementale*). This appendix is intended to make both landlords and tenants aware of the building's environmental impact. They must therefore provide each other with all relevant information relating to the energy consumption of the premises. In particular, the environmental annex should include an obligation on each party to commit to an action plan to improve the energy and environmental performance of a building or leased premises.

The text does not specify how parties are required to formalise this commitment, nor does it specify its scope. It is up to the parties to decide how to improve the energy performance of a building. No specific sanctions are provided for in existing law; however, this appendix must be drafted with considerable care as its provisions, depending on how they are drafted and articulated, may result in obligations or commitments that are binding on the parties (which may have unintended consequences).

Are there any other ESG topics which are specific to your jurisdiction?

Yes. As from 1 July 2021, the energy performance diagnosis (*Diagnostic de Performance Energétique* or "**DPE**"), which is required to be appended to commercial leases: (i) implements a new method to measure energy consumption in a property as well as its impact on greenhouse gas emissions; and (ii) is enforceable against landlords, who incur liability in the event of false information being provided to tenants. It is therefore strongly recommended that landlords have the energy performance diagnosis carried out by certified and recognised consultants and ensure that it is provided to the tenant prior to entering into a lease.

Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. LEED and BREEAM certifications as well as the German-speaking countries' own certificates are widespread in Germany. Certification takes place on the basis of selected sustainability criteria, which must be demonstrated either for an existing building or a new building.

In particular, the certificate of the German Sustainable Building Council ("**DGNB**" – *Deutsche Gesellschaft für Nachhaltiges Bauen e.V.*) has, over recent years, accounted for over 80% of the market share in the new construction segment and for over 60% of the market share of existing buildings in Germany. The DGNB distinguishes itself from other certification systems through its holistic approach. The evaluation criteria are not only based on ecological aspects, but on a total analysis of the entire life cycle of a building or its impact on the neighbourhood and the surrounding area. From the planning phase to the demolition of the building, various aspects are considered in the rating process. Furthermore, the rating system of DGNB can easily be adapted to climatic, construction, legal, and cultural particularities in other countries. That is why more than 10,000 building projects have already been planned, built and certified under the DGNB certificate in around 30 countries worldwide.

Moreover, the DGNB system is now harmonised with the criteria of the EU taxonomy in such a way that proof of conformity can be provided at the same time as certification with little effort. For this purpose, the DGNB offers ESG verification for the EU taxonomy.

Are there any development requirements/ metrics for social housing, public realm, green/amenity space?

Yes. In the field of social housing, which is the state-subsidised construction of housing, especially for social groups that cannot meet their housing needs on the open housing market, developers are obliged to meet the energy standards set out in the Building Energy Act ("**GEG**" – *Gebäudeenergiegesetz*). This law provides the legal framework for the regulations concerning energy efficiency for both new and existing buildings.

The GEG introduces a new statutory standard for new buildings, which raises the requirements for the permissible primary energy demand of new constructions.

A central element of the GEG is the limitation of primary energy demand, applicable to all new buildings, including social housing. Therefore, developers must ensure that the energy consumption of the constructed residences stays within the established limits. Additionally, the law meticulously regulates the requirements for the thermal insulation of the building envelope. Optimised thermal insulation is crucial for significantly reducing heating energy demand and maximising energy efficiency.

The GEG also mandates the use of renewable energies to cover a specific portion of the energy needs of new buildings. Alternatively, developers are permitted to implement measures that significantly improve the energy balance.

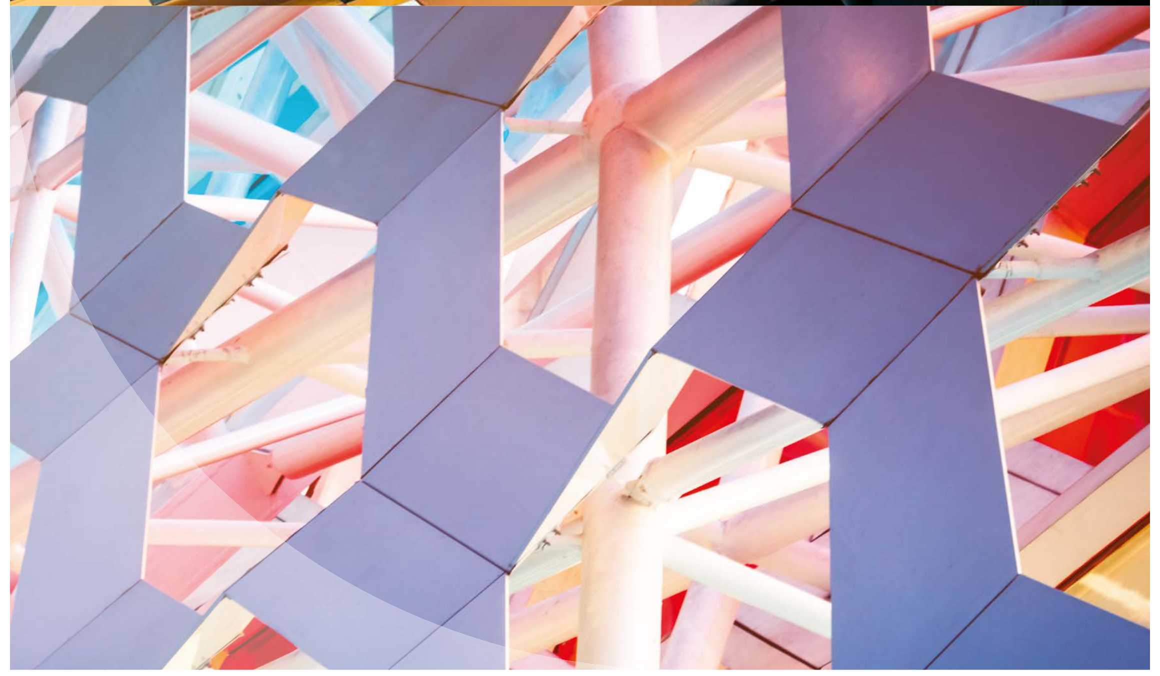
Furthermore, there are strict requirements regarding the efficiency of heating and air conditioning systems, which must comply with the latest technical standards to minimise energy consumption and operational costs.

For newly constructed buildings, the issuance of an energy performance certificate is mandatory. This certificate provides comprehensive information on the energy quality of the building and serves as official proof of compliance with the GEG requirements.

It is worth noting that projects achieving the highest standards of energy efficiency are often eligible for additional funding. This is particularly advantageous for social housing projects, as they frequently rely on financial support.

Strict adherence to these legal requirements is essential not only from a legal perspective but also contributes valuably to sustainable energy use and environmental protection. Thus, for developers in the field of social housing, thoughtful planning is indispensable to fully meet the GEG standards.

The accessibility of public spaces is regulated by law to ensure that spaces are accessible to individuals regardless of physical limitations, addressing structural measures such as ramps, barrier-free access, and tactile flooring.



Moreover, the state building codes define safety requirements for public spaces, including adequate lighting and visible safety features, aimed at enhancing user well-being. While these building codes may vary in detail across federal states, they generally ensure a high level of protection and accessibility.

The obligation to integrate green spaces into construction projects is often embedded in state building codes and urban planning regulations. The legal provisions stipulate that a specific minimum percentage of green and open spaces must be preserved or created in new developments, providing adequate areas for recreation and ecological balance.

To promote biodiversity, conservation laws often require the planting of native plant species and the creation of habitats for local flora and fauna. These requirements are part of efforts to protect and support local ecosystems.

Climate adaptation strategies, such as rainwater management to prevent flooding or measures to reduce urban heat islands, are covered in municipal climate protection plans and corresponding regulations. These often include provisions for green roofs and the planting of trees within urban environments.

Funding for building greening is also available at the municipal, state, and federal levels.

Do regulations relating to energy performance affect the letting of buildings?

Yes. Although ESG criteria are mostly found in the form of "soft law", the GEG sets additional requirements for new and existing buildings. Under the GEG, buildings should enable the most sustainable use of energy that is possible and should increasingly be operated using renewables. To this end the GEG also introduces an obligation for property owners to have information relating to engineering, procurement and construction ("**EPC**") issued for newly constructed and existing buildings so that third parties (especially potential purchasers, users or tenants) can easily and transparently assess the energy consumption and requirements of the respective buildings.

The much-discussed amendment to the Building Energy Act was passed by the German Parliament (Bundestag) on 8 September 2023 and applies from 1 January 2024. By 2045, the use of fossil fuels for heating in buildings will be phased out.

At the same time as the amendment to the GEG, the Heating Planning Act (WPG) came into force, obliging municipalities to draw up local heating plans for their area. In addition, the new Energy Efficiency Act ("**EnEfG**" – *Energieeffizienzgesetz*) came into force on 18 November 2023. It requires public authorities, energy-intensive companies and especially data centres to save more energy.

Even before the GEG came into force, since 2009, under the Energy Saving Regulation ("**EnEV**" – *Energieeinsparverordnung*) EPCs have been mandatory for all buildings – existing and new, residential and non-residential – when they are sold, rented or leased.

Since 2014, the energy certificates have shown the efficiency classes for real estate, which are subdivided alphabetically from A+ to H. Due to these developments, tenants and purchasers now have the opportunity to take EPCs into account when deciding whether to conclude a rental or purchase contract. Landlords or estate agents are obliged to present the EPC to potential tenants and purchasers when they are visiting the flat or building (at the latest).

Are there any statutory requirements for "green leases" in your jurisdiction?

No. Green leases are still not regulated by German law. Nevertheless, in practice, sustainability-oriented lease agreements are becoming more and more important. This is partly because an increasing number of landlords have subjected themselves to ESG criteria, but also because an increasing number of tenants only choose rental properties that meet certain ESG criteria. The specific interests of landlords and tenants in relation to ESG criteria are commonly aligned with a so-called "green lease agreement", which, through its special design – possibly accompanied by the requirements of an existing certification of the building – is intended to induce the tenant to use, and the landlord to manage, the property as sustainably as possible. However, there is no exhaustive list of clauses that must be included in a green lease agreement. In principle, the contracting parties are free to make any arrangements they wish to fulfil ESG criteria.

For example, German statutory provisions assign the obligation to modernise the leasehold premises to the landlord alone. These provisions often lead to a conflict of interest, as the landlord bears the costs of the modernisation, but the tenant benefits from the higher energy efficiency without any further contribution. This conflict can be remedied in a green lease agreement by allocating part of the costs to the tenant, thereby recognising their benefit.

The concept of a "green lease" is constantly evolving due to a lack of legal definition. The German Property Industry Association (ZIA e.V.) describes "Green Lease 2.0" as "a lease prioritising sustainable practices, including data sharing, using renewable energy, conserving resources, and eco-friendly upkeep". There is also a growing trend to incorporate more ESG criteria, transforming the green lease into an ESG lease.

Are there any other ESG topics which are specific to your jurisdiction?

Yes. There are various regulations that partly relate to ESG topics. In relation to the real estate sector in particular, public building planning/zoning law and public building regulations include some ESG considerations but are not designed to fully address ESG topics.

A large proportion of ESG regulation in Germany is based on EU law. But additionally, there is a variety of national ESG regulation, in particular focusing on sustainability, climate change, renewable energy and gender equality. There has been an upward trend of ESG-related laws ever since, such as laws on electromobility and renewable energy.

KSG: The Federal Climate Change Act ("**KSG**" – *Bundes – Klimaschutzgesetz*) establishes a legal framework to meet national and European climate goals, integrating targets from the Climate Action Plan 2050. It aims to cut greenhouse gas emissions by at least 65% by 2030 and 88% by 2040, with the target of net zero emissions by 2045.

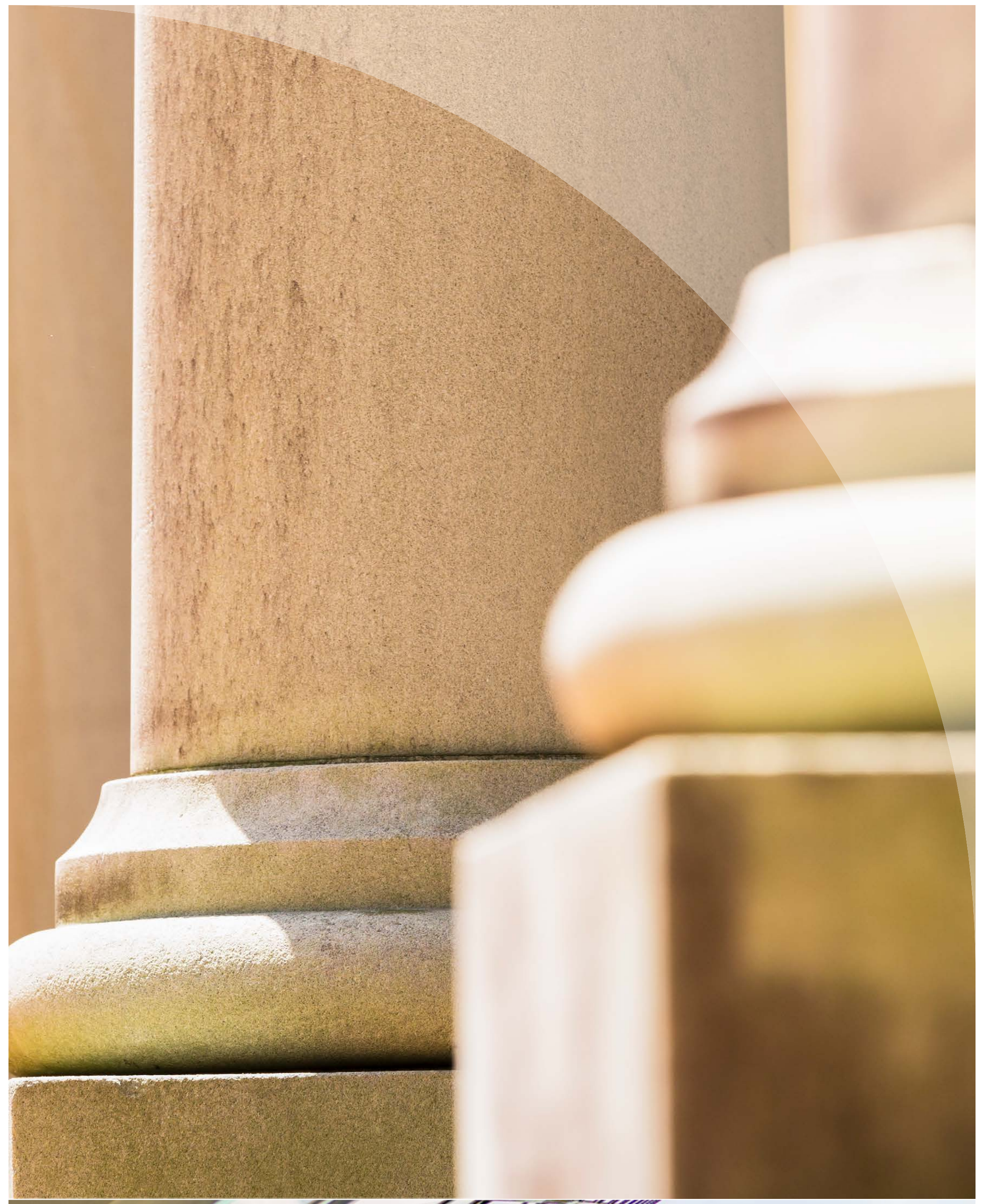
ZuFinG: The Future Financing Act ("**ZuFinG**" – *Zukunftsfinanzierungsgesetz*) aims to make Germany more attractive for sustainable investments. It seeks to boost real estate investments through regulatory adjustments, and further enhances the financial market's appeal by focusing on digitalisation, debureaucratisation, and internationalisation.

For example, the ZuFinG amends the German Investment Code ("**KAGB**" – *Kapitalanlagegesetzbuch*) and enables real estate funds to invest not only in rooftop photovoltaic systems but also in ground-mounted systems on undeveloped land.

GEIG: The Regulation for Integrated Charging and Line Infrastructure for Electromobility ("**GEIG**" – *Elektromobilitätsinfrastruktur-Gesetz*) partially transposes requirements in Directive 844/2018 of the European Parliament and of the Council of 30 May 2018. The aim of the GEIG is to ensure that a greater number of charging points for electric vehicles are installed in newly constructed buildings or renovations to enable and encourage electromobility. Under the GEIG, a certain proportion of parking spaces in newly built buildings must be designed for electromobility and provide charging stations. For example, in relation to residential buildings with five or more parking spaces, each parking space must be equipped with the line infrastructure and at least one parking space must be equipped with a charging station. Comparable regulations also apply to non-residential buildings.

EEG 2023: The renewable energy law 2023 ("**EEG**" – *Erneuerbare-Energien-Gesetz*), which came into force on 1 January 2023, is the largest energy policy amendment in decades. The goal is to increase the share of renewable energies in gross electricity consumption to at least 80% by 2030. Against this background, the federal government of Germany has introduced a further legislative package. With a large number of measures, the construction and operation of photovoltaic systems on buildings is to be made less bureaucratic and the expansion of photovoltaic systems accelerated.

Italy



Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. The most widespread certifications in Italy are LEED and BREEAM, especially for office, commercial and logistics buildings. Green certifications mostly apply to newly built properties or recently renovated properties meeting certain requirements.

We are also observing a growing use of the WELL certification, issued by the same institution as the LEED certificate.

CasaClima and SBTool protocols are widely used for residential developments, while for social housing projects the *Protocollo per la Trasparenza l'Aggiornamento e la Certificazione degli Appalti* ("**ITACA**") and the AVANZI protocol are very common standards.

Are there any development requirements/ metrics for social housing, public realm, green/amenity space?

Yes, in part. The environmental side of the ESG criteria is highly developed. In recent years, various guidelines, recommendations, principles, and standards have been introduced to encourage environmentally sustainable building design.

By contrast, social considerations are still at an early stage. On the occasion of the 2013 Public Space Biennale, some guiding principles for the creation of exemplary public spaces were set out in the Public Spaces Charter (*Carta dello Spazio Pubblico*), drawn up.

According to the principles outlined in the Public Spaces Charter, the design of public spaces must involve every single citizen through participatory processes. Urban public spaces should be seen as integrated systems that develop from small neighbourhoods to large environmental systems, promoting their enjoyment by the entire community and improving urban quality.

Furthermore, where possible (and in compliance with natural and historical values), public places must be made accessible and barrier-free for people with disabilities. The elimination or overcoming of physical barriers that prevent or limit access to certain users is a priority objective to be pursued both in the design of new public spaces and in the adaptation of existing ones.

Recent town planning agreements and other town planning and building instruments often include "green provisions" to promote the realisation of sustainable and environmentally friendly developments.

In addition, in 2024, *Confindustria Assoimmobiliare* published a study on the social value created by real estate investments. This research proposed a set of standard metrics to evaluate the local impact of real estate projects on key quality-of-life factors: urban regeneration, human capital, the local economy, welfare services, and community social capital.

Do regulations relating to energy performance affect the letting of buildings?

Yes. Pursuant to Italian Legislative Decree 192/2005, as amended, landlords are required to provide tenants with the EPC ("**APE**" – "*attestato di prestazione energetica*") for the premises as part of lease negotiation.

An APE is a certificate issued by an authorised technical expert after a site visit and inspection of the premises. The certificate provides information on the energy quality of the building, including thermal insulation, energy performance and annual energy consumption, by attributing an energy rating (from A4 to G) to the building. The aim of the APE is to improve energy efficiency by providing methodologies for calculating energy performance in buildings. The APE has a duration of 10 years, at the expiry of which a new APE must be obtained.

The lease must include a specific clause in which the tenant expressly acknowledges receiving the APE and the required energy performance information about the building from the landlord. A copy of the APE must also be attached to leases relating to entire buildings (but this is not required for leases relating to single units).

Penalties apply if any of the provisions summarised above are breached.

Exemptions to the APE requirement apply to a few minor types of real estate – for example, garages and basements – in which there are no heating /cooling plants.

Are there any statutory requirements for "green leases" in your jurisdiction?

No. There are no specific statutory requirements for leases to be qualified as "green" in Italy, although we are observing an increase in their presence in the market. This applies mostly (but not only) to leases for commercial, industrial, logistics and office buildings and the hospitality sector. Green clauses incorporate provisions whereby landlords and tenants undertake specific responsibilities or commitments relating to the sustainable operation or occupation of the leased premises. The "green" undertakings usually cover aspects such as energy efficiency measures, water savings and waste management policies and measures to limit gas production.

These leases sometimes require the parties to share environmental performance data, promoting an ongoing dialogue with a view to sustainable management of the building, be it managed by the parties themselves or by a third party service provider. Green clauses also often impose obligations to ensure the procurement and maintenance of green certifications (such as LEED or BREEAM).

Are there any other ESG topics which are specific to your jurisdiction?

Yes.

A. Bank of Italy – sustainable investment strategy

In 2021, the Bank of Italy ("**BankIt**") published the Charter of Sustainable Investments (*Carta degli Investimenti Sostenibili*), in which BankIt identified three strategic lines of action:

(a) to promote the dissemination of sustainability information by issuers and operators in the financial system;

(b) to integrate ESG principles in the management of its investments and promote good practice; and

(c) to publish data and analyses on sustainable finance, communicate its results on a regular basis, and contribute to the dissemination of ESG culture in the financial system and among citizens.

Furthermore, since 2022, BankIt has published a yearly report responding to two of the commitments made in the Sustainable Investment Charter: (i) to provide regular information on the results achieved and the methodologies applied to integrate ESG criteria into investment management; and (ii) to contribute to the dissemination of a sustainable finance culture in the financial system and among the general public.

Please also refer to page 3 for further detail regarding SFDR and Taxonomy Regulations.

B. CONSOB – Strategic Plan for 2025-2027

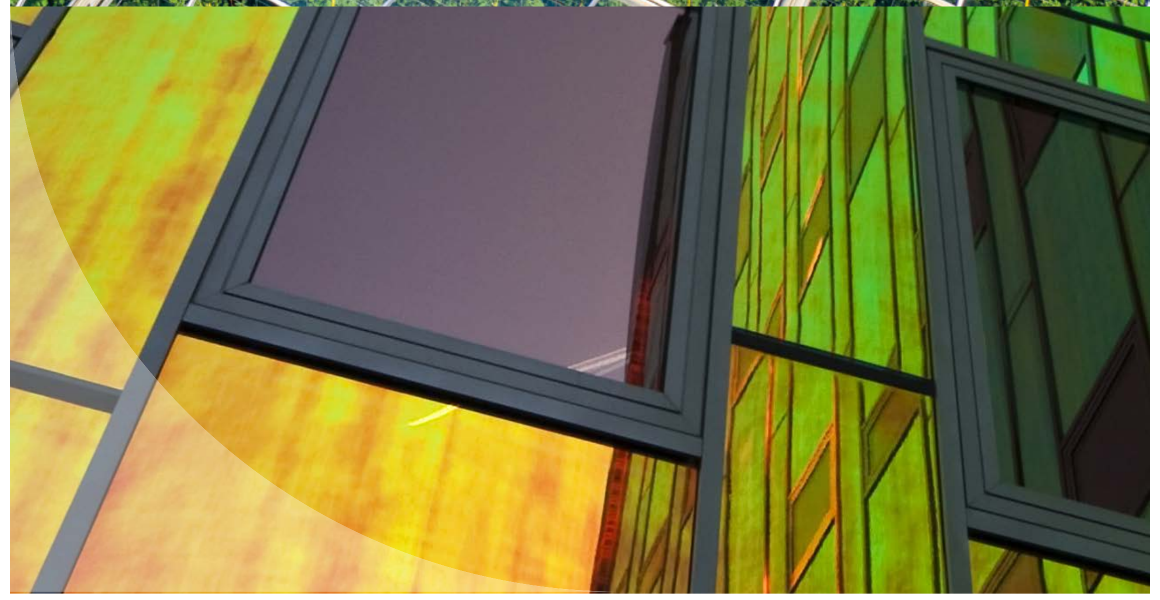
CONSOB (*Commissione Nazionale per le Società e la Borsa*) is actively engaged in the development of sustainable finance. Based on the Strategic Plan for 2025-2027, from an ESG perspective CONSOB will be involved in activities aimed at guarding against the risk of the so called "greenwashing" by supporting and monitoring market participants. In particular, it will further pursue supervisory convergence promoted by ESMA (*European Securities and Markets Authority*), specifically regarding initiatives to strengthen direct controls over sustainability disclosures, in line with the Guidelines on Enforcement of Sustainability Information ("**GLESI**"). In the European context, CONSOB, among other things, will also monitor developments in the legislative process relating to the adoption of simplification proposals for the sustainable finance sector (the so-called Omnibus Package), providing its contribution in the appropriate institutional *fora*.

C. National Recovery and Resilience Plan

On 8 December 2023, the EU Council approved the revision of the National Recovery and Resilience Plan ("**PNRR**" – *Piano Nazionale di Ripresa e Resilienza*), which now includes a new section dedicated to the "**REPowerEU**" (being the project through which the European Union intends to tackle the energy crisis triggered by the Russia/Ukraine war). The new PNRR includes 66 reforms (seven more than initially planned) and 150 investments, outlined in 621 milestones and targets. A large part of the resources is allocated to initiatives for the ecological transition, which includes incentives to improve the energy efficiency of buildings and reduce emissions in pursuit of better social and ecological environments, including through the renovation of public buildings. The new PNRR also provides for the financing of investments related to the REPowerEU mission. Based on the last available report on the state of implementation of the PNRR, so far Italy has successfully achieved the total number of 270 milestones and targets of the 621 achievements set for completion.

D. Integrated National Energy and Climate Plan

The Integrated National Energy and Climate Plan ("**PNIEC**" – *Piano Nazionale Integrato Energia e Clima*) is the tool for EU countries to define policies and measures for achieving key goals related to emissions reduction, increased energy efficiency, research and innovation, energy security, and the development of the internal energy market by 2030. In Italy, to achieve the approximate 40% reduction target set for 2030 in the real estate sector, the Government will adopt measures such as accelerating the rate of improving energy efficiency in existing buildings, enhancing deep renovation, and increasing the use of heat pumps and Building Automation Control Systems ("**BACS**") for residential and commercial properties. Additionally, in the coming years, measures will include new tools for involving private and public sectors in the renovation of the existing national building stock.

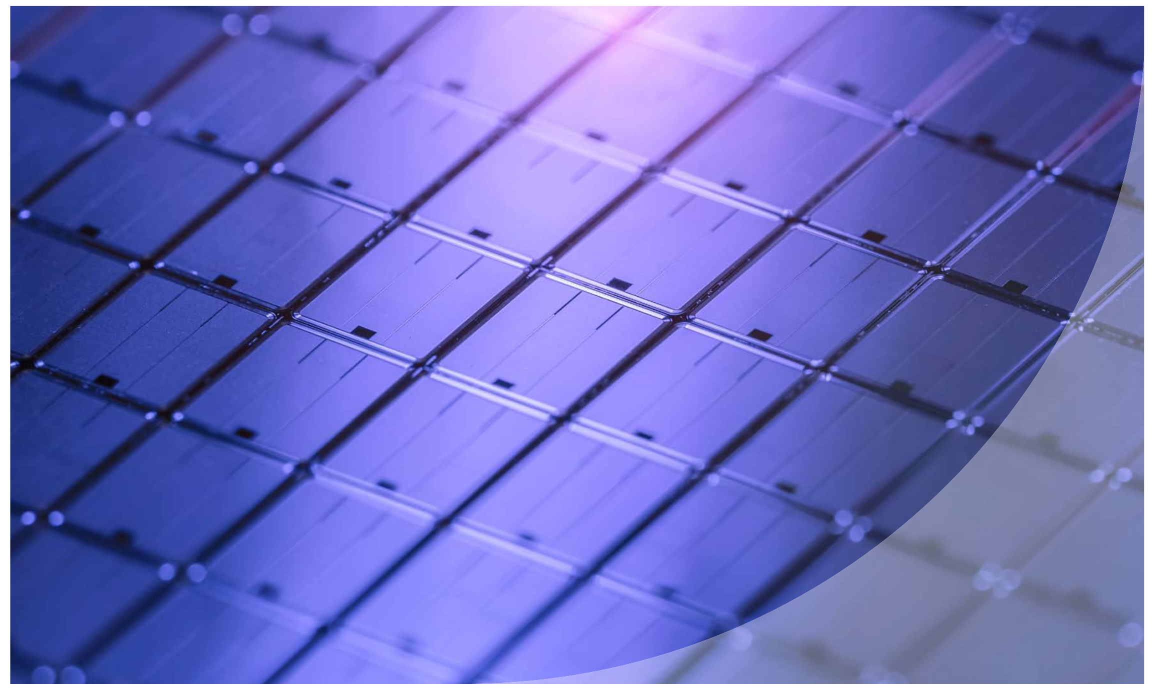


E. The Environmental Decree

In order to ensure compliance with deadlines for achieving decarbonisation goals, the spread of renewable energies, and energy security, as outlined in the PNRR and in the PNIEC the Decree Law no. 153 of 17 October 2024 (the "**Environmental Decree**"), converted into law by Law no. 191 of 13 December 2024, introduces, among other things, measures which simplify environmental assessment procedures, boost remediation efforts, tackle hydrogeological instability, strengthen water protection, and promote the circular economy.

F. Restrictions to the production of solar energy through the use of agricultural lands

The Law of 12 July 2024, no. 101 limits the use of agricultural land for solar energy to prevent permanent conversion to non-agricultural use while still enabling strategically important investments in renewable energy. For example, agreements for the installation of solar panels on agricultural land must now run for a minimum term of six years and will automatically renew for a further six years unless terminated. Such rules aim to protect farmland (by ensuring that agricultural land is not diverted from its primary purpose for excessively long periods) while providing stability for renewable energy investments.



G. The implementation of the Corporate Sustainability Reporting Directive

On 5 January 2023, the CSRD came into effect, replacing the previous NonFinancial Reporting Directive ("**NFRD**" – Directive 2014/95/EU), implemented in Italy by Legislative Decree no. 254 of 30 September 2016, concerning the obligation for large enterprises to disclose nonfinancial information. The CSRD – which introduces significant novelties in corporate sustainability reporting and aims to promote transparency of companies on the ESG impacts of their activities through strengthened annual reporting obligations – was implemented in Italy on 25 September 2024, by the Legislative Decree no. 125 of 6 September 2024 (the "**Italian Decree**"). The Italian Decree brings in several significant changes aimed at enhancing corporate sustainability reporting. In the real estate sector, Italian companies are now required to report on a range of ESG issues, such as energy efficiency, carbon emissions, social responsibility, diversity and inclusion, and provide assurance on their sustainability reports.

H. The Renewable Energy Bill

The Legislative Decree no. 190 of 25 November 2024 concerning the production of energy from renewable sources, known as the "**Renewable Energy Bill**", seeks to consolidate all regulations on renewable energies into a unified framework, aligning with the REPpowerEU Directive to eliminate current regulatory fragmentation.

The measure defines the administrative regimes for the construction or operation of energy production and storage plants from renewable sources, as well as for modifications to these plants and for works related to their construction and operation. The simplification of administrative procedures is considered one of the main factors promoting the spread of renewable energy plants, particularly the increase in installed generation capacity for electricity production from RES (Renewable Energy Sources).

Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. Various ESG labels and accreditations are currently used in Luxembourg, the most common in the real estate industry being BREEAM, DGNB and LEED.

> **BREEAM** (the Building Research Establishment Environmental Assessment Method) is a method of sustainability assessment for masterplanning projects, infrastructure and buildings.

> **DGNB** (originating in Germany) offers a variety of options for buildings, indoor environments and districts. It is a planning and optimisation tool aimed at improving the tangible sustainability of building projects.

> **LEED** (Leadership in Energy and Environmental Design) allows parties to evaluate the influence of building design and construction on the environment.

Are there any development requirements/ metrics for social housing, public realm, green/amenity space?

Yes. Luxembourg law regulates the development of urban areas in the immediate surroundings of "green areas" (*zones vertes*). These areas are parts of the country not allocated primarily for development according to a general development plan in force. A permit from the Ministry of the Environment, Climate and Sustainable Development is required to transform an existing building or to build in these zones. The application for such a "nature protection" permit must be submitted to the Department of the Environment.

On social housing, the Housing Pact 2.0 (*Pacte logement 2.0*) was adopted in July 2021. It aims to expand the space available for affordable housing and sets the sale price for this space based on real construction costs, rather than the prices determined by the Housing Observatory (*Observatoire de l'habitat*). Additionally, affordable housing can no longer be sold to private individuals; it can only be sold to municipalities, which are eligible to receive state subsidies for this purpose. Further changes were introduced with a new law enacted on 7 August 2023, amending the Housing Pact 2.0. This legislation seeks to promote social lettings that align with sustainable requirements, by requiring a certain percentage of new housing developments to be reserved for affordable housing. A key feature of this legislation is the collaboration between the State and communes (ie, local administrative areas) via financial participation and action plans. Such action plans may impact the real estate sector in the future.

Separately, the Energy Performance of Buildings Directive (Directive 2024/1275) (the "**EPBD**") must be implemented by Member States by 29 May 2026. The EPBD provides that "each Member State shall establish a national renovation plan for buildings to ensure the renovation of the national stock of residential and non-residential buildings, both public and private, with a view to establishing a highly energy-efficient and decarbonised building stock by 2050, aiming to transform existing buildings into zero-emission buildings".

Every five years, each Member State will be required to submit its national renovation plan for buildings to the Commission in accordance with the model set out in Annex II of the EPBD. This requirement is applicable to all EU jurisdictions covered in this note.

Do regulations relating to energy performance affect the letting of buildings?

Yes. Luxembourg law requires the issue of an energy performance certificate ("**EPC**") prior to the letting of both residential and commercial buildings. A new EPC must be issued each time there is a change of tenant (for residential buildings) or each time the building is rented out (for commercial buildings).

The EPBD also has consequences for lettings: it introduces the Minimum Energy Performance Standards ("**MEPS**") for buildings, which go beyond the current EPC requirement. The MEPS requires actual upgrades to ensure buildings meet mandated levels; mere awareness (via EPCs) is not sufficient and physical improvement is required. This will initially only be mandatory for non-residential buildings, but there is potential for this measure to be rolled out to residential buildings as well.

The draft EPBD proposal has suggested that existing public or non-residential buildings should achieve at least an EPC rating of E by 2027 and D by 2030. MEPS will therefore require investors to incur capital expenditure and will result in increased compliance costs for landlords, especially as rental properties must meet minimum performance criteria. Failure to upgrade could result in certain properties becoming unlettable.

Are there any statutory requirements for "green leases" in your jurisdiction?

No. Neither Luxembourg law nor EU law provides for precise definitions or standards for the qualification of a lease as a "green" lease. We are however increasingly seeing "green clauses" in lease agreements, though these are generally non-binding.

Are there any other ESG topics which are specific to your jurisdiction?

Yes. Luxembourg is the first European country to launch a Sustainability Bond Framework compliant with the International Capital Market Association ("**ICMA**") Green, Social and Sustainability Bonds 2018 principles. This framework provides for the issuance of green, social or sustainability bonds that enjoy international recognition and can only be used to finance eligible green projects such as the construction of green buildings, energy transition or environmental protection.

The framework allows for transparency in determining the sustainability of the country's public investments.

Please also see page 3 regarding SFDR and Taxonomy Regulations.

Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. BREEAM, LEED and WELL are the most commonly used rating systems in Portugal. BREEAM and LEED have certification systems for base build, fit-out, and in-use projects, while WELL evaluates the attributes of a building that impact occupier health.

Another rating system commonly used in Portugal is "**LiderA**" ("Leading through the Environment in search of sustainable construction" or "*Liderar pelo Ambiente para a construção sustentável*"), a voluntary system which guides, evaluates and certifies sustainability parameters in buildings and other built environments. LiderA takes an integrated approach to environmental, social and economic factors and takes a global view on the key aspects to consider for sustainability in construction or in any phase of a building's lifecycle (project, construction, operation and/or refurbishment).

Are there any development requirements/ metrics for social housing, public realm, green/amenity space?

Yes. These considerations are particularly relevant in Portugal from an urban planning perspective. They are important when developing real estate projects, particularly in relation to urban operations aimed at creating plots ("*lotes*") (meaning one or more parcels of land) for urban construction from the division (or re-division) of one or more buildings.

These projects must include plots dedicated to green and collective use spaces, along with any necessary infrastructure. The relevant landowner must transfer such plots free of charge to the municipality to become part of the municipal domain. If the required infrastructure is already in place, or if green spaces or collective-use facilities are not justified, the landowner must pay compensation to the municipality in lieu of a transfer.

Over the past two years, Portugal has launched various initiatives to address the housing crisis, including "More Housing" ("*Mais Habitação*", which is currently being revoked), "Urban Simplification" ("*Simplex Urbanístico*") and "Building Portugal" ("*Construir Portugal*").

The Construir Portugal programme represents a major shift in housing policy. It replaces the Mais Habitação framework and introduces 30 measures aimed at addressing the housing crisis. However, its implementation has been delayed as a result of the collapse of the Government in March 2025 and the difficulties in securing parliamentary approval for key measures. Nevertheless, the following measures are already in effect:

> Tax exemptions for young buyers: Tax exemptions for buyers under 35 on homes up to €316,000. State-backed mortgages and expanded rent subsidies assist young people.

> 15% mortgage guarantee: First-time buyers aged 18 to 35, with an income up to the eighth income tax bracket, can obtain a publicly funded guarantee for up to 15% of their mortgage principal. This guarantee removes the requirement for a deposit and is available for homes valued at up to €450,000.

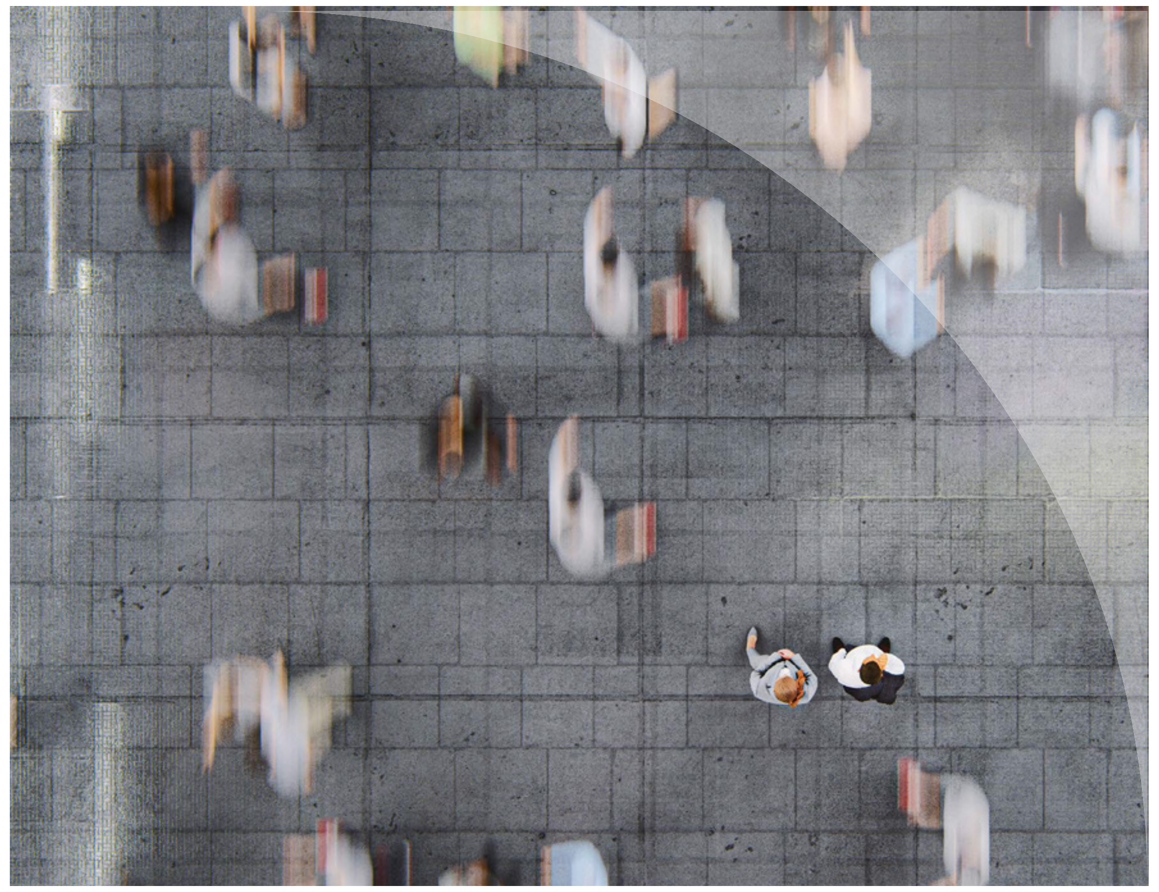
> Revised rental support programmes: Rent support schemes have been simplified, providing tax breaks for both landlords and tenants and enabling temporary housing options for students and workers.

> Extraordinary rent support: Certain families can continue to receive monthly rent assistance for up to five years if they remain in the same home. Eligibility is based on several criteria, such as having an effort rate (the proportion of net monthly income spent on housing costs) above 35% or an income up to the sixth tax bracket.

> Student housing: Increased university residence capacity with 64 new projects and affordable lodging partnerships (eg, youth hostels).

> Construction on rural land: From 30 January 2025, an exceptional regime permits construction on rural land, provided that 70% of the area is dedicated to public or affordable housing. Construction is not permitted in hazardous areas or on protected land, such as agricultural or ecological reserves. If the required developments are not completed within five years, any reclassification of the land will be void.

After the new Government took office on 5 June 2025, it launched a housing policy to boost housing supply, simplify licensing, and restore trust in the rental market, closely following the *Construir Portugal* programme.



Do regulations relating to energy performance affect the letting of buildings?

Yes, but with limited effect. Portuguese law requires all buildings to comply with their EPC obligations whenever they are let. Prior to entering into any promissory and/or definitive lease agreement, the owner or title holder of the relevant premises must provide prospective tenants/ purchasers with the EPCs of such premises.

There are exceptions to this obligation which apply to, *inter alia*: (i) the letting of the landlord's usual residence for a period not exceeding four months; (ii) lease renewals; and (iii) large retail spaces and properties with a useful floor area of ≥ 1,000m^2, or ≥ 500m^2 in the case of shopping centres, hypermarkets, supermarkets and covered swimming pools which are not in operation, provided that these are not currently let.

Are there any statutory requirements for "green leases" in your jurisdiction?

No. There are no such statutory requirements, but it is becoming increasingly common to see such clauses in new leases. Many institutional landlords follow a sustainability agenda and will require clauses dealing with things such as:

> maintaining (or improving) energy efficiency ratings;

> using materials made from sustainable sources in any fitting out;

> sharing data in respect of energy usage; and

> agreeing resource and waste reduction targets.

As ESG becomes a growing priority, tenants (particularly office tenants) are often keen to improve their ESG credentials and are therefore keen to consider the impact of their premises on wider society. Prospective occupiers of newly constructed or newly refurbished premises are likely able to influence its sustainability credentials (for example, by requesting certain environmental certifications be in place). They may also be able to negotiate mutually acceptable "green" provisions and/or influence the sustainability of the building's design. In these cases, "green" clauses are a means to ensure that landlords and tenants work together to achieve their ESG objectives.

That said, "green" provisions are not always welcomed by certain tenants, particularly where they are likely to bring about additional costs or administrative burdens. In these circumstances, it is not unusual for "green" clauses to be heavily negotiated.

Are there any other ESG topics which are specific to your jurisdiction?

Yes.

Updated national renewable energy targets

In December 2024, Portugal adopted new renewable energy targets for 2030, with the aim that 51% of energy use will derive from renewables.

Municipalities are expected to adopt construction and building regulations to increase the use of passive and renewable energy systems (for example, by promoting the use of heating and cooling systems powered by renewable energy and of energy efficient equipment), and both Lisbon and Porto have already created sustainability plans to this end.

In addition, a new legal regime on electric mobility is expected to bring significant developments. Decree-Law No. 93/2025 of 14 August establishes a comprehensive new legal regime, harmonising the organisation, access, and operation of activities related to electric mobility. This new framework replaces the previous regulations set out in Decree-Law No. 39/2010 of 26 April and is expected to play a key role in supporting the country's broader renewable energy and sustainability targets.

The new legislation requires all new buildings – including those under the horizontal property regime (ie, comprised of several independent units, such as flats or offices), as well as those with parking spaces – to incorporate electrical infrastructure that enables the future installation of EV charging points.

While the law does not impose an obligation to install charging devices or sockets immediately, it does require that the electrical systems in such buildings comply with predetermined technical standards to be specified through governmental regulation.

The Portuguese government is funding the energy transition in residential buildings. The *Agência para o Clima* (ApC) has given 6.5 million euros to the PAE+S programme to help families insulate homes, replace windows, and upgrade heating, cooling, and hot water systems. ApC has also launched the *E-LAR and Bairros + Sustentáveis* programmes, offering 100 million euros for projects that make homes more energy efficient, support decarbonisation, and cut energy bills.

Governance – Corporate governance reports

Issuers of shares traded on a regulated market in Portugal must disclose a detailed corporate governance report in line with the corporate governance code previously adopted by the issuer. This operates on a "comply or explain" basis. Most issuers follow the governance code drafted by the Portuguese Institute of Corporate Governance ("**IPCG**"), which was amended in 2020 to require that the management body describes how the company's strategy and key policies aim to ensure the long-term success of the company and the main ways it contributes to the wider community. Most issuers have already prepared their reports in line with the 2020 version of the IPCG's corporate governance code, which the IPCG monitors annually.

In addition, in February 2021, the Portuguese Securities Market Commission ("**CMVM**") approved its own sustainability reporting model. This non-mandatory framework is designed to be compatible with various international reporting standards, and enables listed companies to present their non-financial information on an annual basis.

2025 marked the beginning of the CMVM Strategic Plan for 2025-2028, based on the vision of "A capital market that creates value and well-being". This plan sets out five key strategic objectives that will guide CMVM's actions through to 2028. Within this framework, sustainability will be more closely monitored. The CMVM has identified gaps in the information disclosed by funds classified under Articles 8 and 9 of the SFDR Regulation, which will require greater precision and transparency going forward.

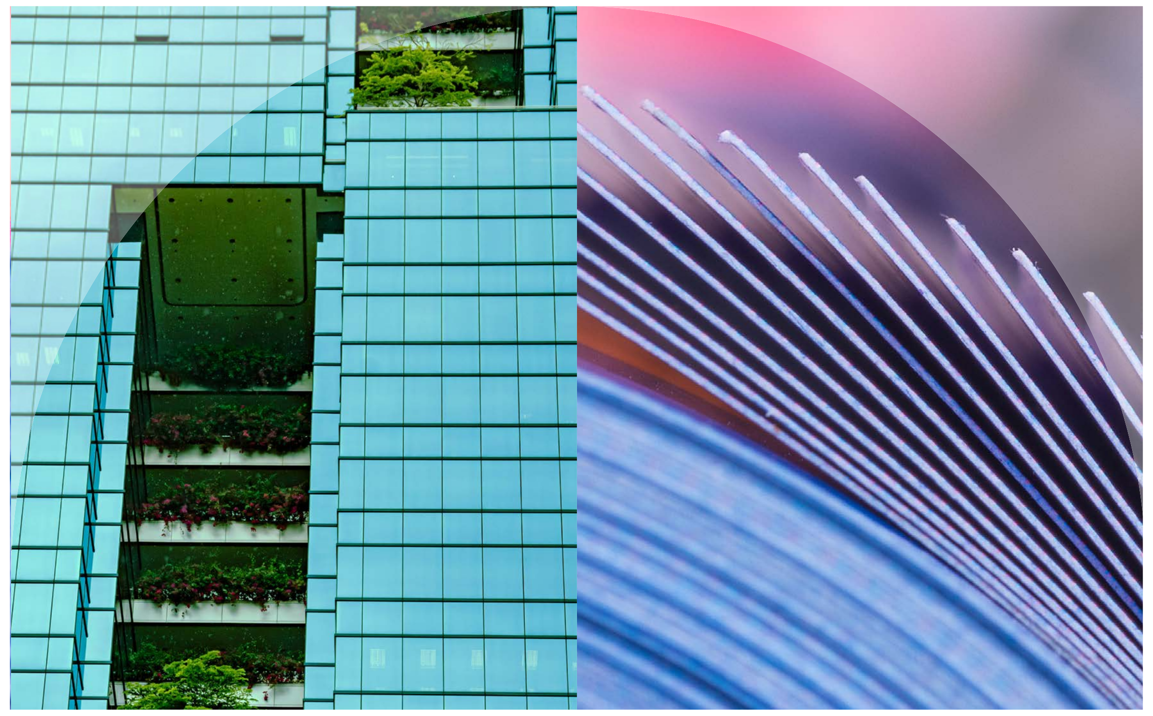
Additionally, the CMVM has published the Annual Report on the Capital Market's Exposure to Climate Risk and an updated Sustainability Guide (January 2025), providing a reference framework to help supervised entities comply with sustainable finance requirements.

Please also refer to page 3 for more detail on SFDR and Taxonomy Regulations.

Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

Yes. The most commonly used certification systems in Spain are BREEAM and LEED, but the choice of the relevant certification depends on the investor, asset type and location. A sustainability certificate is not legally required in Spain. However, as explained in other jurisdictions, there are several reasons why companies obtain such certificates, and it is an increasingly observed trend among institutional investors.

Another Spanish rating system used is VERDE (*Valoración de Eficiencia de Referencia de Edificios*), a voluntary system which guides, evaluates and certifies sustainability factors developed by Green Building Council Espania ("**GBCe**").



Are there any development requirements/ metrics for social housing, public realm, green/amenity space?

Yes. As explained in other sections of this mailer, there are several obligations and/or restrictions imposed by means of different legal instruments (in particular urban planning regulations) which contribute to the ESG concept.

Urban planning regulations

In the first instance, urban planning regulations in Spain contain a variety of prescriptions from an ESG standpoint. By way of example, developing land suitable for development (*suelo urbanizable*) requires the assignment without consideration to the relevant city council of a specific area (as determined by the applicable planning regulations) so it can be devoted to green areas, public roads and other public services.

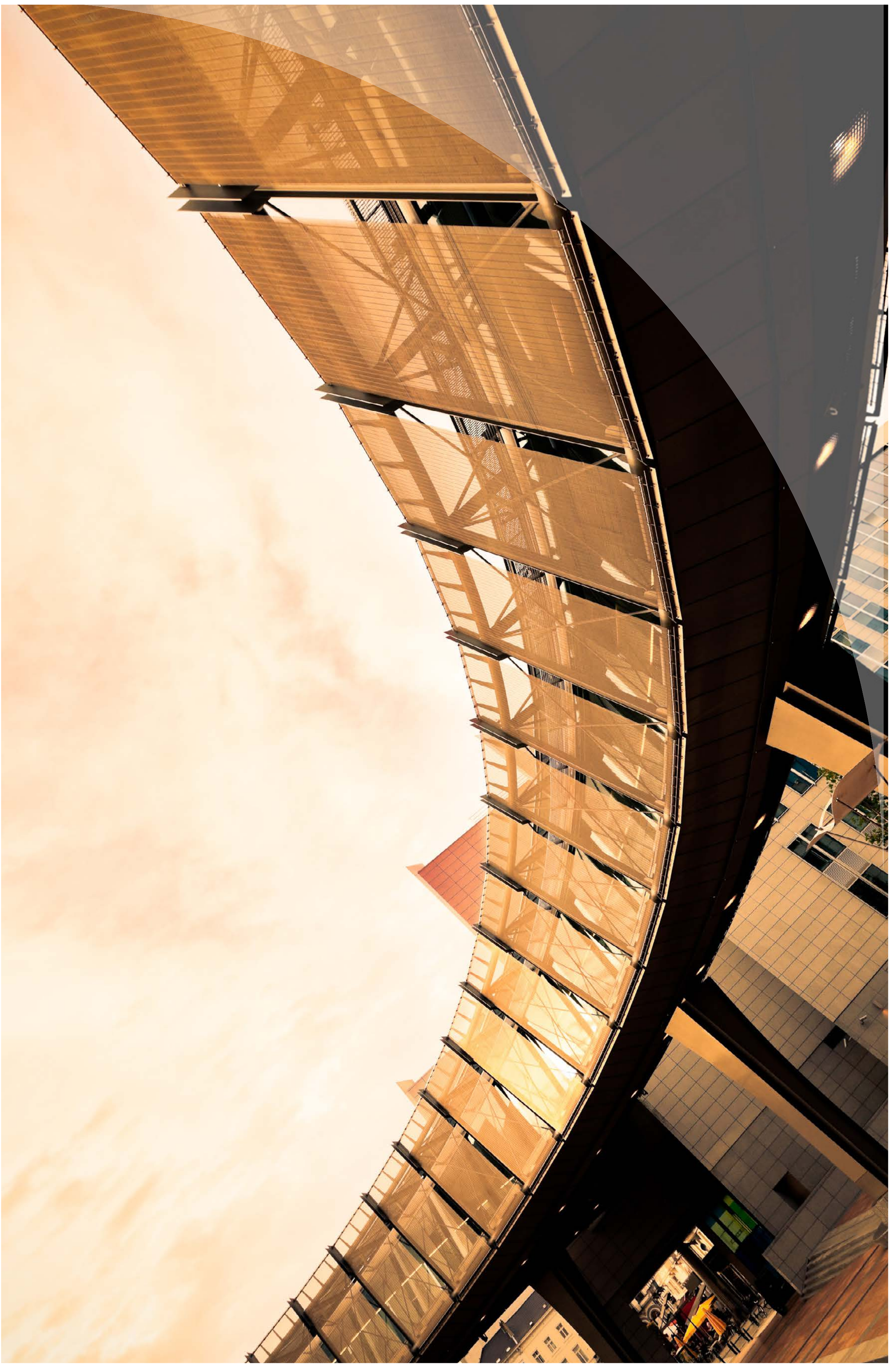
CCETL

Separately, the Climate Change and Energy Transition Law ("**CCETL**"), approved in May 2021, introduced relevant actions on ESG. From a real estate perspective, CCETL provides for a restriction on leases where Spanish State public authorities are lessees and the relevant building cannot be considered a "nearly zero-energy building" (as defined under the Spanish building code). Such leases may not be extended beyond 2030.

Electric vehicle charging

Furthermore, the June 2022 amendment (the "**Amendment**") to the Spanish Technical Building Code (*Código Técnico de la Edificación*) partially transposed Directive 844/2018 of the European Parliament and of the Council of 30 May 2018 regarding the promotion of electromobility. The Amendment incorporated a minimum number of charging points for electrical vehicles and a minimum infrastructure for the subsequent installation of charging points in buildings. New buildings or buildings subject to major refurbishment works shall have one charging point for every 40 parking spaces. For buildings for used for purposes other than private residential use, and owned by the Spanish State public authorities, the provision is greater, and a recharging station must be installed for every 20 parking spaces.

A draft decree is currently being processed which will, among other things, update the requirements for electric vehicle charging infrastructure and bicycle parking spaces in buildings, and introduce building design requirements to optimise their potential for solar energy generation, in line with Directive 2024/1275 of the European Parliament and of the Council of 24 April 2024, which concerns the energy efficiency of buildings. The decree remains at an initial drafting stage; the public consultation on the draft closed on 28 October 2024.



The Housing Law

Separately, the Housing Law (*Ley de Vivienda*), which was approved in 2023, primarily sought to guarantee the right to adequate housing. It introduced a variety of measures designed to increase the amount of public housing and has led to significant developments in the rental market that affect all landlords, especially "large landlords".

Although the definition of "large landlords" under the Housing Law may be expanded by Spain's regional governments, "large landlords" are defined as those individuals or legal entities that own: (i) more than 10 urban residential properties; or (ii) more than 1,500m^2 in residential property floor area (excluding car parks and storage spaces).

Do regulations relating to energy performance affect the letting of buildings?

Yes. Spanish Royal Decree 390/2021 approved on 1 June 2021 (the "**Energy Performance Certificate Royal Decree**") establishes the obligations of landlords to provide an energy performance certificate (*certificado de eficiencia energética*). This must include information on the building's energy efficiency and reference values such as minimum energy efficiency requirements, to enable tenants to compare and evaluate the building's energy efficiency. The Energy Performance Certificate Royal Decree states that certain buildings are excluded from this obligation, but it expands its application to new buildings that were not subject to this obligation under the former Royal Decree dealing with the Energy Performance Certificate approved in 2013.

Moreover, Spanish Royal Decree 736/2020, approved on 4 August 2020, imposed an obligation on owners (and thus potential landlords) of central heating facilities in new and existing buildings, which consists of installing individual metres that measure heating energy consumption in all types of buildings, provided that this is technically feasible and economically profitable, so that each consumer (ie, any potential tenant) is aware of and can optimise their actual energy consumption. The deadline to comply with these requirements was May 2023.

Are there any other ESG topics which are specific to your jurisdiction?

Yes.

A. Protective measures in relation to the current economic situation

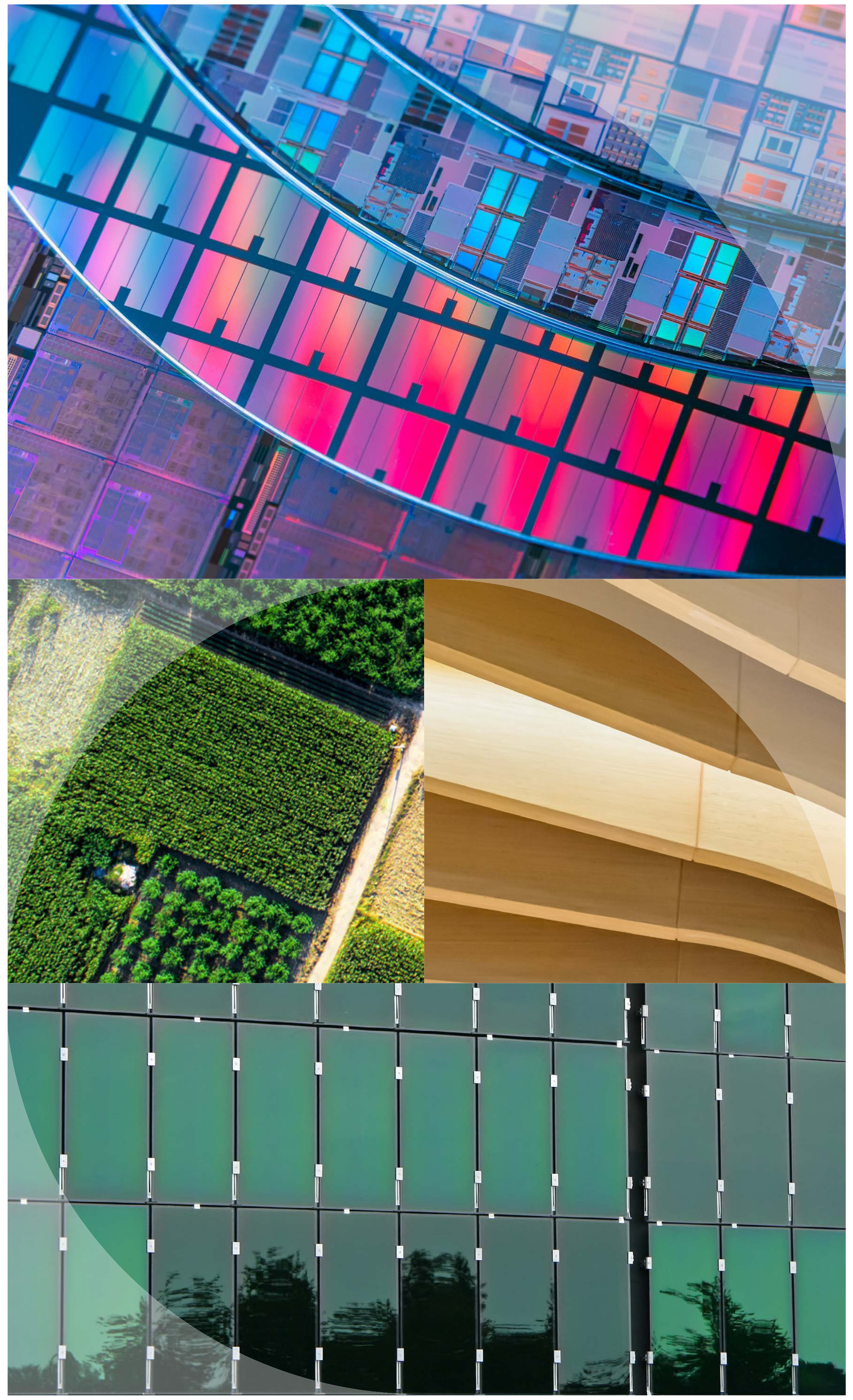
The Spanish government has approved emergency measures recently, such as the modification of the 2012 Code of Good Practices that applies to certain mortgage debtors in vulnerable situations, the creation of a new transitional Code of Good Practices for middle class mortgage debtors at risk of vulnerability, the limitation on the updating of rents for rental housing and the suspension of eviction procedures for debtors in vulnerable situations, which have been extended until 31 December 2025.

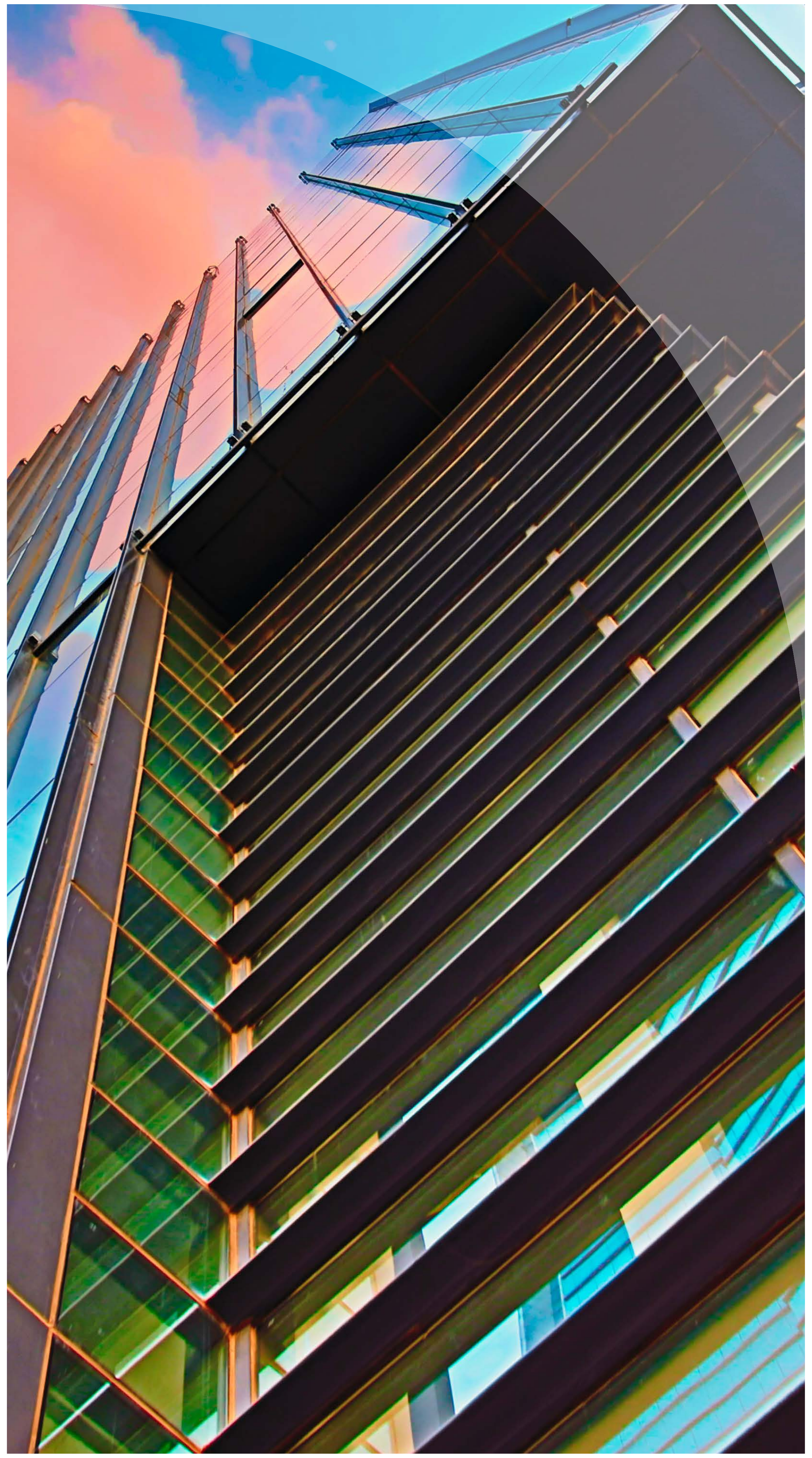
B. Drive toward ecological transition and demographic change

One of the main focuses of Spain's national budget for 2023, which is still in force pending approval of a new budget, is ecological transformation and energy transition, with an increase in the budget allocated to industry and energy policies. Of particular interest is the increase in support for electro-intensive consumers, the installation of charging points and the acquisition of electric vehicles. The Spanish national budget for 2023 also includes allocations for energy rehabilitation programmes for buildings and an increase in the allocation for renewable hydrogen projects.

C. CNMV

The Spanish Securities Market Commission ("**Spanish CNMV**" – *Comisión Nacional del Mercado de Valores*) has published guidance on the application of the SFDR regulation, including interpretative criteria on which its supervision and authorisations will be based. This new interpretative guidance aims to identify and tackle the issues that have been raising interpretative uncertainties or concerns among financial market participants during the past years. Among other things, it: (i) includes and clarifies the scope of application of the EU SFDR regulations; (ii) provides a clear definition of the concept of "adverse impact"; and (iii) gives further detail regarding the periodic reporting obligations.





Real Estate-Related ESG and New York Local Law 97

In the landscape of the United States real estate market, the integration of ESG principles has emerged as a strategic priority and a determinant of financial success and long-term asset value. Among those principles is ESG reporting, which encompasses the disclosure of metrics such as energy consumption, greenhouse gas emissions, and green building certifications. ESG reporting is becoming crucial for aligning real estate developments with global climate objectives.

Do you have any rating accreditations such as BREEAM, WELL or LEED in your jurisdiction?

At the federal level, several ESG initiatives have been implemented over the recent years to drive and/or encourage sustainability in real estate. For example, the National Building Performance Standards Coalition, launched under the Biden administration, aims to decarbonise the building sector through locally designed performance standards. The Environmental Protection Agency administers the ENERGY STAR initiative, which is a voluntary labelling programme that certifies buildings that meet high energy efficiency standards.

Furthermore, legislative instruments such as the Inflation Reduction Act of 2022 and the Infrastructure Investment and Jobs Act of 2021 offered significant tax incentives for clean energy and infrastructure, including the Investment Tax Credit and Production Tax Credit.

However, on July 4, 2025, Congress passed the budget reconciliation legislation known commonly as the "One Big Beautiful Bill Act" ("**OBBB Act**"), which changes the renewables landscape considerably and has the effect of rolling back and ultimately eliminating incentives relied upon by many in the renewables industry. For information on these significant changes and implementation actions, see our client alerts here and here. Additionally, the Commercial Building Energy-Efficiency Deduction (Section 179D) offers tax deductions for implementing energy-efficient systems such as interior lighting and building envelopes; however, pursuant to the OBBB Act, the tax deduction is not available for properties beginning construction after June 30, 2026.

Do regulations relating to energy performance affect the letting of buildings?

There are currently no regulations relating to energy performance that affect the letting of buildings.

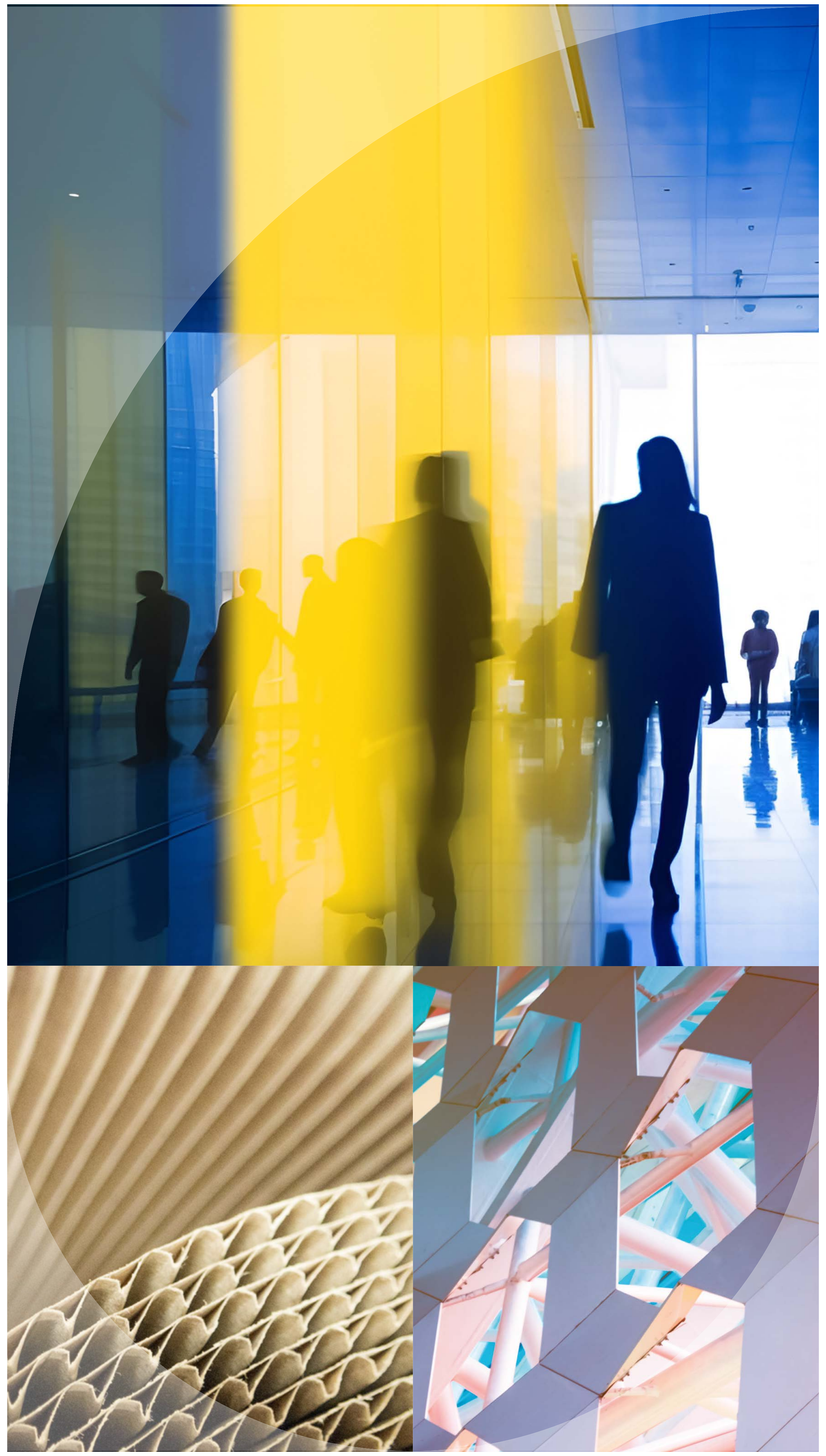
Are there any statutory requirements for "green leases" in your jurisdiction?

There are currently no federal or state statutory requirements for property related green leases and they are not particularly widespread. However, in the future, improved building performance standards will likely increase their popularity as buildings strive to abide by local regulations.

Are there any other ESG topics which are specific to your jurisdiction?

The new administration has already taken actions that will modify the ESG landscape in the United States. As anticipated, during the first days and months of President Trump's second term he issued several Executive Orders and memoranda that signal a near-complete overhaul of the Biden Administration's ESG and climate aims. However, such actions were expected by the market.

Notably, there is an increasing trend in the construction of electric vehicle charging stations. As of February 2024, there were over 61,000 public charging stations in the U.S., more than double the amount there were in 2020. 64% of Americans live within two miles of a charging station and over 95% of Americans live in a county that has a public charging station, as of February 2024. Although most of these are located in urban areas, there has been significant growth in charging stations in rural areas as well. However, the new administration has frozen federal funding to build more charging stations and, while many states still offer tax credits for EV consumers, the OBBB Act has the federal EV consumer tax credit expire as to vehicles acquired after September 30, 2025.



A case study example: New York City

While over the recent years there have been many federal level ESG initiatives, the country's federalist system often necessitates a more localised approach to sustainability because the states and cities have considerable autonomy to set their own ESG laws and initiatives. Hence, ESG laws and initiatives are frequently strongest at the state and city level, which is precisely what we see in New York City.

Local Law 97

In 2019, New York City enacted Local Law 97, a groundbreaking law designed to combat the significant emissions from city buildings, which account for two-thirds of the total emissions in the city. This law sets limits on greenhouse gas emissions and applies to buildings larger than 25,000 square feet, affecting approximately 50,000 buildings in the city. It sets forth an incremental stringency plan to reduce greenhouse gas emissions to achieve a 40% citywide emissions reduction by 2030, ultimately aiming for zero emissions by 2050.

A. Compliance and Reporting

Compliance with Local Law 97 is overseen by the Office of Building Energy and Emissions Performance (OBEEP), which is a new office within the NYC Department of Buildings. The law contains a series of compliance periods that commenced in 2024 (ie, 2024-29, 2030-34, 2035-39, 2040-49, and 2050 onwards). By January 2030, new carbon caps will be imposed on covered buildings, with further reductions scheduled for 2035, 2040, and the zero-emission target in 2050.

Building owners are required to submit compliance reports by May 1 each year, detailing emissions data from the previous year. These reports consider carbon emissions per square foot, with variations depending on building types such as multi-family or office spaces, and account for different fuel types like fossil fuels versus electricity.

The law provides flexibility to comply through renewable energy credits and/or emissions offsets. In addition, it includes alternative low-cost energy-savings requirements for rent-regulated units, houses of worship, and some subsidised housing.

Currently, over 12% of buildings are already exceeding 2024 caps and 65% are projected to exceed 2030 caps.

B. Penalties and Mitigation Strategies

Exceeding the greenhouse gas emissions limit results in a penalty of US$268 for every metric ton of CO_2 over the cap. To aid compliance, buildings can undertake several strategies, such as: repairing and optimising heating systems, adjusting temperature set points, insulating and weatherproofing, installing boiler controls, upgrading lighting, and using radiant barriers.

The NYC Accelerator, a city-sponsored organisation, offers free technical assistance and guidance to help buildings meet these requirements, and certain deductions are available for clean on-site energy initiatives. Further support is provided by the Property Assessed Clean Energy (PACE) programme which offers low-interest loans to building owners to help them meet emissions targets. The Urban Green Council also has a certification programme, called GPRO, which provides online training on developing green buildings.

Conclusion

Local mandates, such as New York City's Local Law 97, demonstrate the location-specific nature of ESG laws in the U.S. Local Law 97 is part of a broader trend of city-specific laws and regulations aimed at reducing building emissions. Washington D.C., where 74% of emissions are from buildings, has implemented the Clean Energy DC Omnibus Act which hopes to halve greenhouse gas emissions by 2032. Boston enacted the Building Energy Reporting and Disclosure Ordinance which requires large buildings to reach zero emissions by 2050.

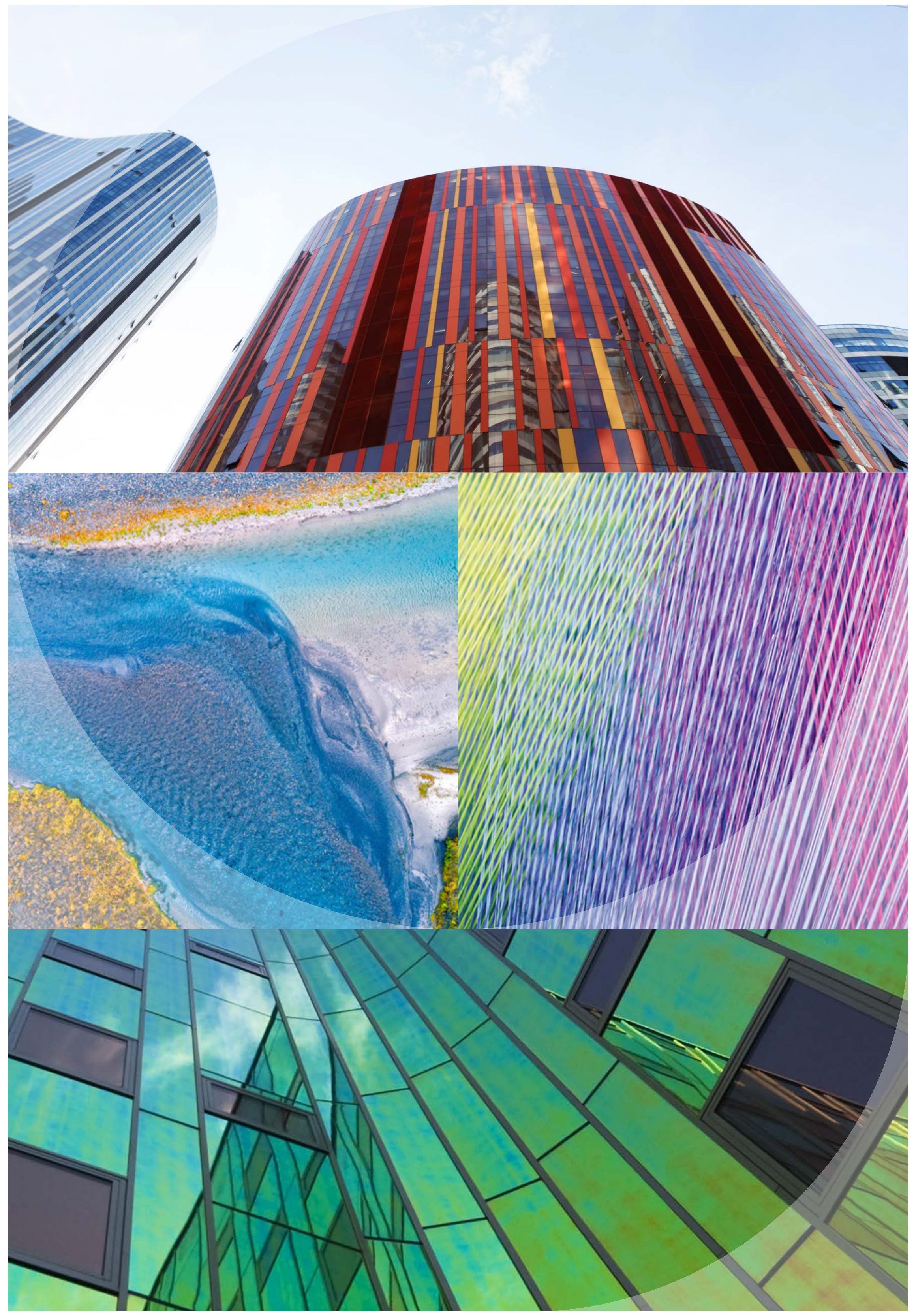
Similar initiatives exist at the state level, such as Maryland's Building Energy Performance Standards (BEPS), which has plans to reach net zero greenhouse gas emissions by 2040 and California's Senate Bill 253 and Senate Bill 261, amended by Senate Bill 219, and Assembly Bill 1305, which implement environmental disclosure requirements for companies doing business in California. Similar bills have been introduced in New York such as Senate Bills 3456 and 3697 which, if approved, would mandate climate-related disclosures from large companies operating in the state as early as 2026.

Despite America's unique federalist system, there are many initiatives at all levels aiming for more sustainability. Although the Trump administration has gone back on several ESG initiatives, such as withdrawing from the Paris Agreement and pausing the leasing and approvals for wind energy development, individual states and localities have continued to promote ESG causes.

Glossary of acronyms

Where acronyms have a common translation into English, these translations have been used in the table.

Where applicable, the individual jurisdiction pages provide native language descriptions.



Legislation	
CCETL	Climate Change and Energy Transition Law
CS3D	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
EPBD	Energy Performance of Buildings Directive
GEG	German Buildings Energy Act
GEIG	The Regulation for Integrated Charging and Line Infrastructure for Electromobility
IIJA	Infrastructure Investment and Jobs Act (USA)
IRA	Inflation Reduction Act (USA)
NFRD	Non-Financial Reporting Directive
SDR	Sustainability Disclosure Requirements
SFDR	Sustainable Finance Disclosure Regulation
Governing Bodies and Regulators	
CMVM	The Portuguese Securities Market Commission
FCA	Financial Conduct Authority (UK)
ICMA	International Capital Market Association

Certification Systems and Standards	
BEEC	Building Energy Efficiency Certificate
BREEAM	Building Research Establishment Environmental Assessment Method
GRESB	Global ESG Benchmark for Real Assets
HQE	High-Quality Environmental Standard
ITACA	Innovation and Transparency of the Contracts and Environmental Compatibility
LEED	Leadership in Energy and Environmental Design
MEES	Minimum Energy Efficiency Standard
MEPS	Minimum Energy Performance Standards
NABERS	National Australian Built Environment Rating System
WELL	WELL Building Standard
Terms	
BACS	Building Automation Control Systems
BNG	Biodiversity Net Gain
ESG	Environmental, Social and Governance (issues)
EPC	Environmental Performance Certificate
EV	Electric Vehicle
GHG	Greenhouse gases
NSIPs	Nationally Significant Infrastructure Projects

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