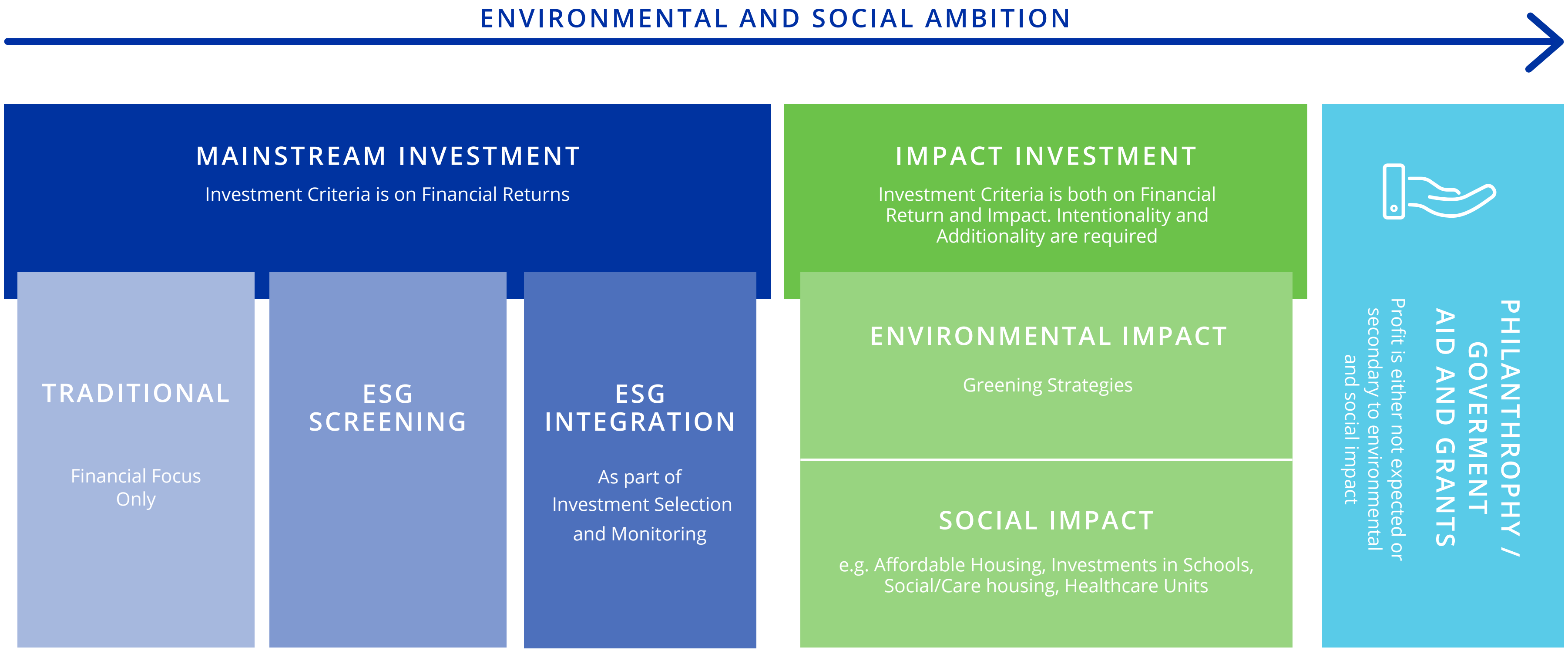
Spectrum of Investment **2020**

Snapshot Professional Standards



View INREV impact investing definitions at inrev.org/definitions

How to read the Spectrum?

The Spectrum for Impact Investment is the framework prepared by INREV to map out different investment approaches for real estate, depending on investors' ambition for environmental and social impact. These range from traditional investments (far left) to philanthropy (far right). This framework is intended to help INREV members to better position themselves in the investment spectrum without imposing a rigid structure.

The spectrum is structured as follows:

Mainstream Investment

Traditional – investments that focus on maximising risk-adjusted returns and do not consider the impact of the investments made. These are assumed to be executed for the sole purpose of financial return with no environmental and social impact objectives.

ESG screening – investments that consider ESG factors in portfolio selection and management. This represents both negative and positive screening; either the exclusion from a portfolio of certain sectors, companies or practices based on specific ESG criteria (i.e. filtering out harmful investments like weapons or tobacco), or investment in sectors, companies or projects selected for positive ESG performance relative to industry peers.

ESG integration – investments that take a more matured approach on sustainability. With ESG integration, investors systematically and explicitly include ESG factors into their financial analysis, risk assessment and monitoring.

Impact Investment

Investments that go beyond managing risks and creating return, and is motivated by a clear intention to contribute to the solution of social and environmental issues.

- Social impact – examples include affordable housing, social/care housing, education, healthcare units.
- Environmental impact – can be achieved by greening strategies, e.g. energy efficiency targets.

Impact Investments do not, by nature result in lower returns than mainstream investments and may result in equivalent or better risk adjusted returns.

All investment have impact, both positive and negative. An investment with positive impact is, however, not defined as impact investment unless it has clear investment criteria related to social or environmental factors and can demonstrate both additionality and intentionality.

Philanthropy / Government Aids and Grants

Impact investing differs from philanthropy, which is focused on impact-only and accepts capital loss. For impact investors, both financial and impact are motivating factors in their investment decision.This spectrum should be used as a high-level starting point to facilitate comparison for investors on the environmental and social impact of their investments across other investments, peers, industries and geographies.

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