

Environmental considerations in underwriting: Assessing impacts on value and returns

[This paper](#) investigates, for a limited number of assets, whether there was an identifiable relationship between specific environmental data inputs and financial outcomes using a standard DCF methodology, and if there were any broader implications.

Four illustrative scenarios showcasing impact



Data gaps limit sustainability valuation accuracy



Gaps in ESG data and limitations in assumptions regarding factors were highlighted

Yield movements and Opex savings were primary constraints

Separating environmental Capex proved challenging

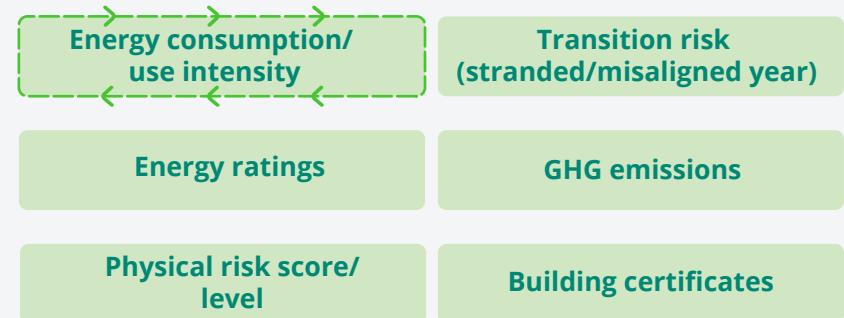
Five principles to follow

- 1 **Engaging** valuers on key environmental factors
- 2 **Estimating** sustainability-linked capex and assessing payback
- 3 **Defining** testing scenarios
- 4 **Prioritising** interventions to mitigate ESG risks
- 5 **Enhancing** transparency of assumptions

Energy efficiency delivers the clearest ROI

Among the factors tested, **energy efficiency** showed the clearest payback effects.

Most relevant environmental factors for underwriting:



These align with the [INREV ESG SDDS](#) and the [RICS ESG data list](#)

Asset value changes are influenced by both environmental actions and wider market forces, making direct attribution difficult.

Better collaboration - more consistent pricing of environmental factors



More consistent definitions

Better data collection and exchange

Greater transparency around assumptions