

## PRESS RELEASE

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### HERMES DEMONSTRATES RESPONSIBLE PROPERTY INVESTMENT IN PRACTICE

Hermes Investment Management (Hermes), the £30.1 billion manager focused on delivering superior, sustainable, risk adjusted returns to its clients – responsibly, has today released the report *Investing Responsibly*, which focuses on how to integrate responsible property investment (RPI) in practice, calling on the industry to follow its approach.

The report illustrates how Hermes has integrated its responsible approach on three different levels; corporate, portfolio and property.

#### **Corporate: Driving responsibility**

There are major benefits from implementing a comprehensive RPI programme across organisational levels whilst also linking it to the appropriate aspects of various investments processes. These aspects span from governance, strategy and targets, stakeholder and sector engagement down to risk assessment, monitoring, comparability and reporting across portfolio and throughout the industry. These include:

- Improved ability to manage risks
- Improved transparency and comparability across the market, enabling asset owners to better engage with investment managers on the implementation of responsible investment
- Growing interest from clients, with RPI integration being assessed early during the investment manager selection process.

#### **Portfolio: Investing responsibly**

At a portfolio level, although the integration of RPI into real estate investments has made notable progress over the last few years, it is now time to ensure this level of sustainability in portfolios investment management in earnest.

One of the key challenges is the need to be more explicit about how sustainability affects the value of individual assets and the risk of depreciation of entire portfolios. This means measuring how these factors impact on real estate investment performance and how they influence real estate market fundamentals, including client demand, void lengths, obsolescence, rate of depreciation, operational costs and liquidity. Tailored responsible investment strategies are required to match the characteristics of different portfolios and actively manage risks.

To do this, investors need to understand, measure and benchmark sustainability risks in earnest. This information then needs to be integrated into the discounted cash flow models of real estate investments and the valuation assessment of portfolios. This will allow current risk management frameworks to be strengthened whilst simultaneously unlocking and redirecting the capital required for the creation of commercially sound and sustainable assets.

#### **Property: Managing responsibly**

This also rings true for responsibility at property level, with a direct correlation between more sustainable and energy-efficient buildings, higher rents and higher sale prices and numerous occupier benefits

At the asset level, the strategic view is that owner and occupier preferences for buildings with better environmental performance will lead to those assets experiencing higher net income growth due to lower depreciation and operational costs. A number of publications have shown that a correlation exists between more sustainable and energy-efficient buildings, higher rents and higher sale prices as well as between low performing buildings, value decline and longer vacancy rates in various

jurisdictions across the globe. Moreover, there are occupiers benefits from green buildings. Green buildings with good air quality and high levels of daylight have been shown to reduce absenteeism, improve productivity and concentration, reduce stress levels and achieve an overall increase in user wellbeing.

**Saker Nusseibeh, Chief Executive Officer, Hermes Investment Management, commented:** “The strong culture of responsibility at Hermes is something that has filtered into every sector of the business. This report demonstrates just how important this approach is in the sector and further highlights the need for other companies to follow suit.”

Leading the charge for sustainable investment, Hermes has embedded this longer term approach into its investment strategy. This is highlighted in some of its biggest regeneration projects, namely King’s Cross in London, Paradise in Birmingham and NOMA in Manchester. These projects strive to achieve successful returns whilst benefiting the surrounding communities on a number of levels.

**Chris Taylor, Head of Private Markets, Hermes Investment Management, said:** “We work to ensure that our whole strategy is geared towards sustainable, responsible development. Our focus on environmental, social and governance issues has allowed us to build a strong leadership role within the market. By integrating social sustainability in our investment process we act in the long term interest of our clients while striving to improve the economy, communities and the environment we invest in.”

Follow us on Twitter: [@Hermesinvest](https://twitter.com/Hermesinvest)  
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**Notes to Editors:**

**Hermes Investment Management**

Hermes is focused on delivering superior, sustainable, risk adjusted returns for our clients – responsibly.

Hermes manages assets on behalf of more than 200 clients\* across equities, fixed income, alternatives and real estate, with £30.1 billion\* assets under management. In Hermes EOS, we have the industry’s leading engagement resource, advising on more than £124.3 billion\* of assets.

We believe in **Excellence, Responsibility** and **Innovation**

- **Excellence:** We aspire to excellence in everything we do. This manifests itself most visibly in our investment performance. We will only offer products to our clients where we believe there is a strong investment thesis and where we can deliver sustainable alpha.
- **Responsibility:** We believe it is our responsibility to lead discussion and debate about the fiduciary responsibilities of fund managers to our clients, their stakeholders and, ultimately, society at large. We have always sought positive engagement with the firms in which we invest.

- **Innovation:** We have the entrepreneurial culture to identify forward-looking products that meet those needs, along with the resources and speed-to-market mentality to develop them rapidly.

Our structure gives clients globally the benefit of access to a broad range of specialist, high conviction investment teams operating within an established and robust operating platform.

Hermes' investment solutions include:

- **Equities:** Global, Emerging Markets, Small & Mid Cap, Europe, Asia Ex Japan, Greater China
- **Fixed Income:** Inflation-Linked, Government Bonds, Investment Grade, High Yield
- **Real Estate:** Segregated, Unitised, Debt, UK, US Residential, European, UK PRS
- **Alternatives:** Multi Asset, Infrastructure, Private Equity

\*Please note the total AuM figure includes £3.5bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers Limited ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.5bn of total group AuM figure represents HFM mandates under advice. Source: Hermes as at 31 March 2015.