



## ESG real estate insights

### Global perspectives on sustainability and climate

## Governance in the real estate sector

### Addressing the G in ESG

Real estate (RE), like many sectors today, is likely experiencing increased stakeholder pressure to address environmental, social and governance (ESG) matters. But when it comes to the governance component of ESG management, RE companies could face a number of unique challenges. Given the variety of stakeholders and RE's unique positioning in both the business-to-business (B2B) and business-to-consumer (B2C) arenas, RE firms should work to strike a balance between stakeholder expectations and business objectives.

Various factors, such as: a regulated ecosystem, dependency on public sector authorities, increased impact on communities, multi-entity holding structures and their complex management—and more—can make developing and implementing environmental and social policies a complicated endeavor for RE companies. For example, waste treatment and disposal at construction sites may need to be managed differently in various geographies due to differing regulations and varying stakeholder expectations. Or labor relations and human rights may have a high level of variance in multi-site environments due to disparate human capital and retention practices.

This unique multi-stakeholder ecosystem can hold increased potential for both positive and negative impacts—and may require not only effective governance but a mature and developed capability to sense stakeholders and their needs. To do this, RE companies should build an ESG governance framework with trust at its center that can help them identify and address both the risks and opportunities that ESG could present.

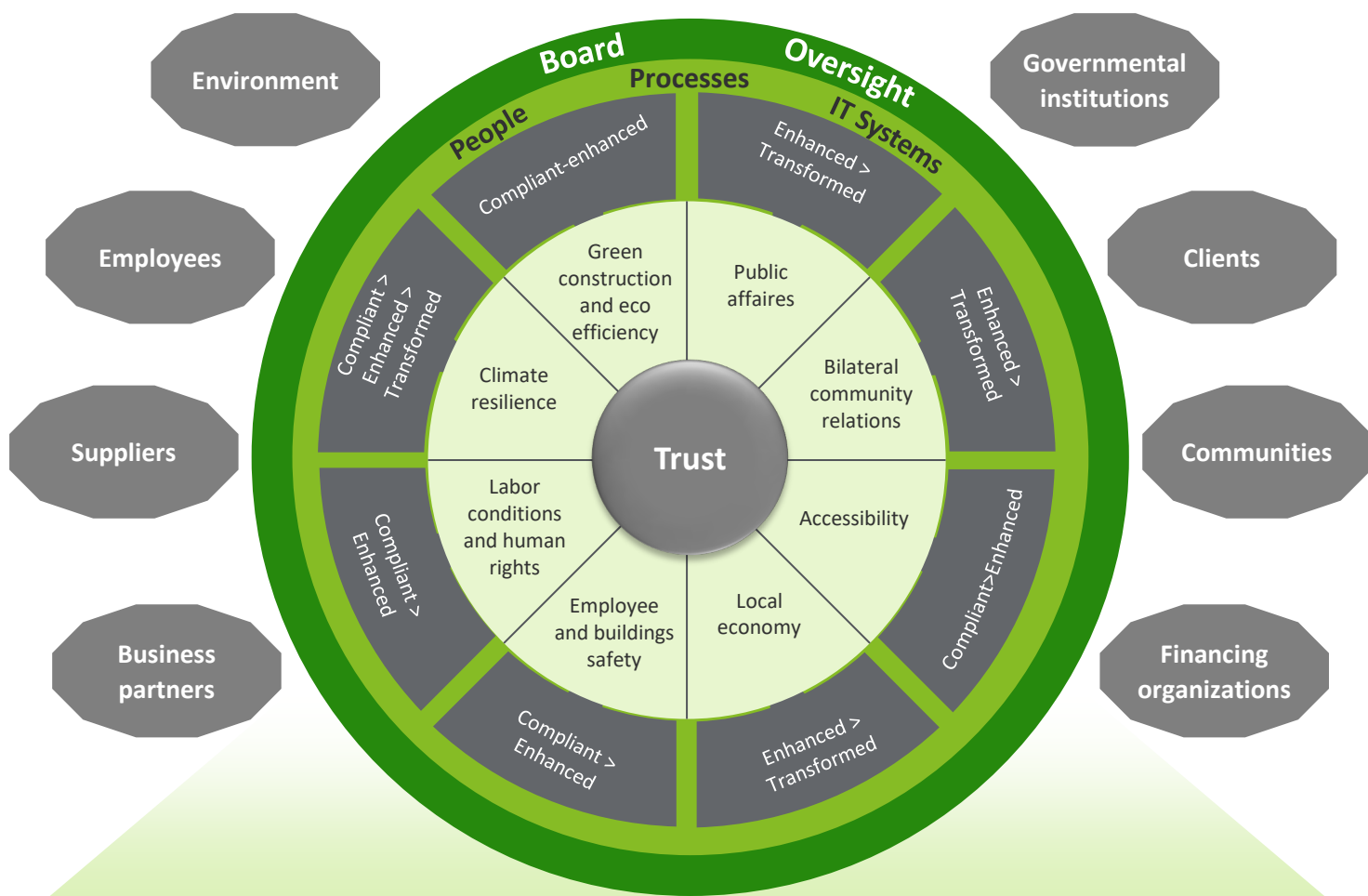
As part of this framework, RE companies should consider some of the most pressing ESG trends within the RE sector.

These may include:

- **Green construction and eco-efficiency:** Design and construction that can help minimizing the negative environmental impact, including across supply chains and the eco-efficiency of buildings.
- **Public affairs:** The RE sector's increased interaction with both public and government institutions may require specific focus on the level of engagement and communication.

- **Bilateral community relations:** RE companies should engage with local communities at the earliest stages of design and construction to help minimize some of the negative impacts and disruptions as well as address the role RE companies can play in building communities.
- **Accessibility:** As one of enablers of buildings and infrastructure, RE should help to make equitable facilities accessible to all.
- **Local economy:** A sustainable supply chain can be a differentiator among RE players; promoting local partners can create a positive impact on both the environment and the community.
- **Employee and buildings safety:** RE companies should work to ensure the safety of employees and public during construction phases and as an integral quality of completed assets.
- **Labor conditions and human rights:** As a major employer and dealing with numerous social issues, the RE sector is may be in a position to respond address to labor and human rights pressures.
- **Climate resilience:** RE players should develop ability to anticipate, prepare for, and respond to the impacts, disruptions, and transition risks associated with climate change. Due to a high vulnerability of both employees and users to various climate related risks (such as temperature rise, see level sire, flooding, and other.

**Real estate ESG governance framework**  
**Building a sustainable and trustworthy real estate ecosystem**



**ESG maturity model**

Each major pillar of the framework is identified by the related maturity level of ESG governance.



**Compliant**

Meets different ESG regulation requirements, manages reporting related relevant data timely and accurately reports on required topics.



**Enhanced**

Accelerates ESG data, metrics and KPIs in defined business aspects and regularly includes ESG considerations in decision making processes.



**Transformed**

Invests in ESG as a competitive advantage and brand differentiator to support business growth. ESG is an integral part of doing business.

Successful management of these ESG trends can help improve trust among relevant stakeholders and given these trends can present both risks and opportunities, they should frequently appear on C-suite and board agendas. Boards should also seek out leaders with stakeholder relations management capabilities. By incorporating stakeholder relations into enterprise risk management and business strategy, organizations create a foundation for a company's governance of environmental and social initiatives.

Despite the complex and multi-dimensional matters the RE sector may face in fulfilling such ESG targets as outlined by the United Nations Sustainable Development Goals, the time to act is now. Boards and the C-suite should have a duty to manage the risks associated with ESG and develop governance Key Performance Indicators (KPIs) that can help reassure stakeholders that ESG efforts are being implemented and measured. With a marketplace increasing awareness of ESG, strategies that incorporate environmental and social matters with concomitant governance not only can help RE companies meet their business goals but also provide them with competitive advantage.

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