



Business solutions spread from real estate ESG certifications:

Japan's thriving trend in solving ESG issues/strengthening business by acquiring real estate ESG certifications

Introduction:

In recent years, there has been a growing trend of foreign companies choosing to move their bases to Japan due to several factors: notably, geopolitical risks, rising labor costs overseas, and the ongoing depreciation of the yen.

Foreign/global companies relocating to Japan seek real estate certification with high-level environment, social and governance (ESG) targets, not only at offices but also at production sites.

Starting the end of March 2023, Japanese government required approximately 4,000 listed companies in Japan (including foreign companies listed in Japan) to disclose non-financial information at the end of the fiscal year. Non-financial information contains a variety of information and covers a wide variety of environmental, social and governance aspects. Companies need to respond to this need not by just formality but by considering why sustainability is

important to their business and what they should disclose based on their strategy. They also need to respond to the constantly evolving sustainability disclosure rules and standards: such as International Sustainability Standards Board (ISSB), the European Commission's Corporate Sustainability Reporting Directive (CSRD), and a climate disclosure proposal by the United States Securities and Exchange Commission (SEC).

ESG integration in the realm of real estate is relevant not only to the real estate and construction industries, but also to companies that possess their own office buildings, production sites, and raw material procurement points. As such, ESG awareness in the context of real estate is an extremely important part of any industry. Various companies alike need to properly address non-financial disclosure requirements for real estate.

The importance of real estate ESG certification is related to economic advantages such as improved asset

value and higher rents. In fact, several studies have confirmed that obtaining real estate ESG certification has these advantages¹. This move shows the importance of ESG in the real estate sector and the trend is steadily making progress. A related survey is underway in Japan, and ESG real estate certification is becoming established as the de facto standard for real estate quality and economic superiority². Thus, ESG-friendly property ownership provides direct value to companies that handle real estate.

The dominant real estate ESG certifications in the world, such as BREEAM and LEED, have already exist in a few decades, and they have their reasons to be in the mainstream even in this fast-changing era. First, they have considered the real estate process as the Life Cycle Assessment idea from the beginning, which fits to the mounting interests in the embodied carbon considerations and nature-positive mindsets. Second, the emphasis on human health and welfare are paid more attention in business

recently and these certifications have considered the human well-being consistently with other concerns. Last but not the least, their governance framework aligns the growing trend in the recent project management: namely, iterative process and interdisciplinary collaborations.

Many a man has known that these real estate ESG certifications are already de facto standard for the quality of the real estate in most of the countries. Therefore, people might wonder why on earth Japan is now magnifying on this. There are some explanations for Japan's uniqueness. First, Japanese building have taken care of extra concerns on other quality standards than ESGs, due to the country's

disaster-prone nature: frequent earthquakes and tsunamis, flooding, and heavy snows in some areas. Second, there have been several domestic real estate ESG certifications which are dominant, as the country that the real estate business is mainly domestic industry: CASBEE³, DBJ Green Building⁴, and BELS⁵.

Deloitte Tohmatu Group has a long-standing experience and knowledge on selecting appropriate real estate ESG certifications, whether domestic or international, as a part of the clients' business strategies. We are ready to support the client to acquire as well as renew the target certifications in response to their needs. We treasure the following three features in advisory

services. To permeate ESG concepts internally and externally through the maintenance of certification is the first strategy our team can provide. To seize the control of the eco-labels specified in these certifications in order to create the de facto standardization and regulation in their strength areas within the industry is other strategic way. Moreover, our team can assist clients by effectively use the certifications to form a robust sustainability brand.

Consequently, in Japan, the era of strategic use of Real Estate ESG certifications has just begun, and the areas teem with tremendous potential.

Table 1: Outline of the advisory menu on the real estate ESG certifications by Deloitte Tohmatu Group

Advisory Menu		(1) Establishment of ESG concepts both inside and outside the company by maintaining certification	(2) Business development using standard/regulation formation	((3) Building a sustainability brand by using certification
Outline		Thorough enforcement on ESG activities for each and every employee with correct ESG values and disseminating information outside the company	Support clients for expanding their ESG-related areas of strengths and winning de facto standards and regulations within the client's industry	Building a robust sustainability brand by strategically obtaining certifications that are highly recognized worldwide
Examples		Various general constructors that have the certified buildings as their HQs	TOTO's advisory to USEPA on "WaterSense" Eco label	Tokyo Group's LEED ND developments
Division of roles	Client	•Identification of the department in charge of the organization	•Recognition of their strengths in the target certification	•Recognition of their strengths/brand image
		•Building a collaborative structure within the company	•Building a collaborative structure within the company	•Building a collaborative structure within the company
		•Acquisition of various types of ESG data	•Acquisition of various types of ESG data	•Acquisition of various types of ESG data
	Deloitte	•Preparation of procedural documents for maintaining certification	•Holding workshops to certify areas of strength, and supporting the operation of PMO within the organization	•Holding internal workshops for recognition of areas of strengths and its brand image
		•Support for building an internal organization (workshops, enlightenment seminars, etc.)	•Selecting/setting up occasions for presentations at international conferences	•Support for PMO operations within the organization
		•Implementation of employee questionnaires required when maintaining various certifications	•Lobbying for the central government and business organizations	•Effective press release material preparation
	•Proper dissemination of the mass media on the clients' efforts on ESG issues	•Formulation of the activity materials	•Choosing a method of promotion for client's brand image	

Deliverables	<ul style="list-style-type: none"> • Documents to be submitted to the certification institutes 	<ul style="list-style-type: none"> • Presentation manuscripts at international conferences 	<ul style="list-style-type: none"> • Brand concept manuscript
	<ul style="list-style-type: none"> • Questionnaire results and analysis documents 	<ul style="list-style-type: none"> • Presentation manuscripts at lobbying activities 	<ul style="list-style-type: none"> • Domestic marketing support
	<ul style="list-style-type: none"> • Textbook for employee’s awareness workshops 	<ul style="list-style-type: none"> • Formulation of materials for publications on the web 	<ul style="list-style-type: none"> • International marketing methodology guidebook

See appendix 1 for iteration process as shown in LEED® and appendix 2 for multidisciplinary as shown in LEED®.

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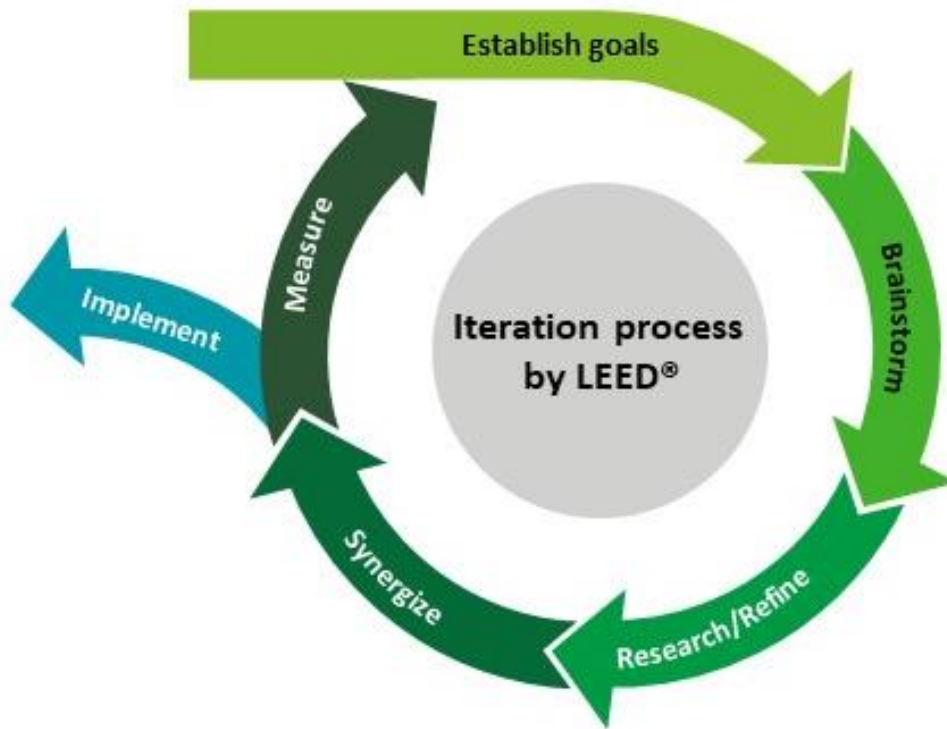


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Endnotes and sources

1. [“Green Is Good: The Enduring Rent Premium of LEED-Certified U.S. Office Buildings”](#). CBRE. 2022.
2. [“Trends in Environmental Certification of Office Buildings”](#). CBRE Japan. 2023.
3. Abbr. Comprehensive Assessment System for Built Environment Efficiency
4. Abbr. Development Bank of Japan Inc. ("DBJ") Green Building Certification
5. Abbr. Building-Housing Energy-efficiency Labeling System. ZEB (Zero Emission Building) certification is identified under BELS.

Appendix 1: Iteration process as shown in LEED®



Appendix 2: Multidisciplinary as shown in LEED®





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