



ESG real estate insights

Global perspectives on sustainability and climate

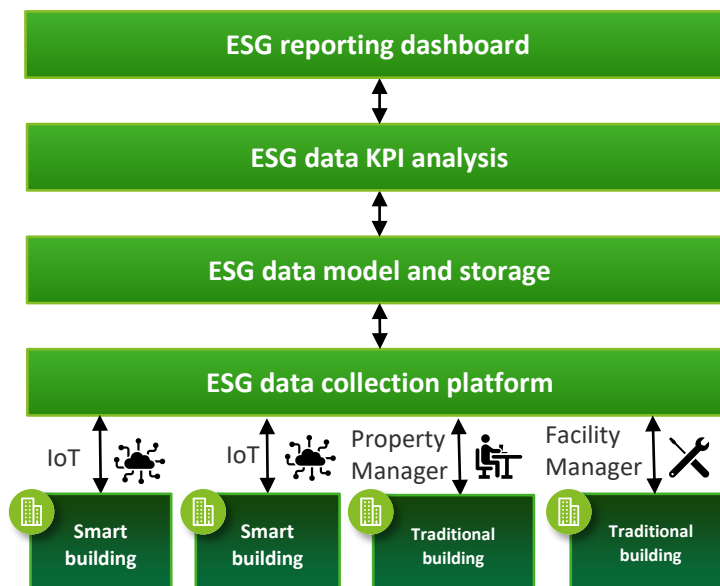
Empowering real estate players through integrated ESG reporting

The world is increasingly recognizing the importance of environmental, social, and governance (ESG) factors in investment decision making, and the real estate industry is no exception. Real estate players, including asset managers, property managers, and fund managers, are beginning to realize that ESG considerations can have a significant impact on the long-term value of their assets.

One way real estate players can gain better visibility into ESG risks and opportunities is through integrated ESG reporting. This involves the disclosure of both financial and non-financial information, including ESG metrics and disclosures, in a single report. Integrated reporting helps real estate players to better understand and communicate the impact of their ESG performance on financial performance, and vice versa.

To achieve integrated ESG reporting, real estate players require robust ESG software and hardware tools that can help them gather, analyze, and report on ESG data. Automated collection of ESG data can be achieved by IoT devices, gathering air quality data, utilities consumption, waste collection, connected with the building management system. The system can be integrated with an ESG software solution, which allows real estate players to streamline ESG reporting, improve data accuracy, and make better-informed ESG decisions. Without technology, usually a manual input from facility or property managers is required to acquire the initial data. In many cases assets, actors or companies, are operating in different jurisdictions with different regulations and standards – what is crucial is an integrated data management strategy for holistic data collection, harmonization, and aggregation. On the following page Figure 1 showcases usual set up with or without IoT and smart building management system in place:

Figure 1. Typical ESG reporting layers in real estate¹



Utilizing technology for ESG reporting in real estate provides numerous benefits that can positively impact companies in various ways.

- 1. Efficient ESG data management and reporting:** increased ability to gather and monitor ESG data effectively, allowing for automated reporting processes. Having all ESG data in one place makes it easier to identify trends and patterns in the data. As a result, real estate companies can save valuable time and resources in gathering the data while ensuring accurate and up-to-date ESG reporting, as especially for real estate data aggregation is time-consuming.
- 2. Enhanced accuracy and transparency:** Switching to software-based ESG reporting can result in increased accuracy and transparency for real estate companies. This change allows for improved communication with investors and the ability to identify and track ESG risks and opportunities more efficiently.
- 3. Improved performance analysis:** By tracking and reporting on ESG data, companies can identify areas where they need to improve their environmental, social, and governance practices, benchmark their performance, and make more informed investment decisions. This ability to analyze performance thoroughly can lead to more targeted improvements and more informed decision-making.
- 4. Comprehensive asset valuation:** By combining ESG data with financial and other non-financial data, companies can take a more comprehensive approach to evaluating asset performance and analyze impact of ESG performance on asset and portfolio values.

Choosing the right ESG technology

Real estate players must carefully consider their ESG reporting and monitoring needs when selecting an ESG software tool. The right ESG software tool will depend on a variety of factors, including the size and complexity of the real estate player's portfolio, the type of assets they manage, and their ESG reporting requirements.

When selecting an ESG software tool, real estate players should consider the following factors:

- 1. Define your ESG architecture and scope for the system to be selected:** The solution should respond to the strategy, vision and current set-up of the entity. Whatever the architecture, the different technology components should be as integrated as possible.
- 2. Data accuracy, reliability and scalability:** The software tool should be able to handle large volumes of data and ensure data accuracy, reliable and being able to accommodate the real estate player's growing portfolio.
- 3. Integration with existing systems:** The software tool should be able to integrate seamlessly with existing systems, including property management, reporting and accounting systems.
- 4. Accessibility:** The solution should be customized and useable for different type of users and geographies, SaaS solutions offering portal access are typically preferred.

5. Standardization and customization: The software tool should offer balance between being customizable to meet the real estate player's specific reporting and monitoring needs while proposing some best practices and minimum level of standardization to leverage on the benefits of having a standard solution.

6. Dashboarding and drill-down: To be able to have a comprehensive view on the portfolio and be able to see how specific assets perform in comparison to others.

7. Sandboxing: The tool should offer a possibility to explore ESG KPI in a playground environment before promoting them in production, in addition to a report showcasing suggestions for improvement.

8. Regulatory compliance: The solution should be aligned, integrated and compliant with GRI, GRESB, CREEM, EU and Taxonomy criteria.

The key takeaway for real estate players in order to define the right architecture for an ESG tool, properly collect and control the quality of data and produce ESG reporting is to consider your whole ecosystem while doing so – the stakeholders and assets that are contributing and their own requirements and acceptance for new solutions.

Conclusion

In summary, there are various ESG software tools available for real estate players to streamline and enhance their integrated ESG reporting. These tools provide ESG data and analytics, risk management approaches, and sustainability reporting platforms that enable real estate players to make informed decisions that align with their ESG objectives. By leveraging these tools, real estate players can enhance their ESG performance, create value for their stakeholders, and contribute to a more sustainable future.

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