

# BEYOND THE OBVIOUS



**KATARZYNA CHWALBIŃSKA-KUSEK, HEAD OF ESG AND SUSTAINABILITY AT SAVILLS, WRITES ABOUT THE ROLE OF ESG IN COMMERCIAL REAL ESTATE.**

ESG stands for Environmental, Social and Governance issues. These aspects are at the top of the business agenda for many organizations as increasing legislation, enhanced stakeholder concerns and requirements for transparency and disclosure continue to develop. ESG includes such aspects that should be taken into consideration by businesses today to comply with regulatory and stakeholder requirements.

## DIFFERENT PERSPECTIVES

The ESG is very broad in its scope and requires a very holistic corporate approach. This acronym was first coined in 2005 in a landmark study entitled "Who Cares Wins", and since then it has replaced in the common business language what has been known as sustainability or corporate social responsibility. Nevertheless, it is worth remembering that ESG is the investor's perspective while Corporate Social Responsibility (CSR) or Sustainability is the internal busi-

ness perspective. In conclusion, ESG looks at how the environmental, social and governance aspects impact the company (investment) while sustainability looks at how a company impacts the environment and people.

commonly part of mandatory for financial reporting, though companies are increasingly making disclosures in their annual reports or standalone sustainability reports. However, the situation is changing and ESG reporting is on the fast track to new standards and regulations.

## NEED FOR ESG

It is estimated that buildings account for 40 percent of final energy consumption, creating approximately 36 percent of energy-related greenhouse gas emissions in Europe, which translates into an estimated third of the world's overall waste, and are responsible for 20 percent of global water consumption. Buildings also have a significant impact on human health and well-being. As the EU wants to turn the urgent challenges into opportunities, the Green Deal has been introduced to cut 55 percent of carbon dioxide emissions by 2030 and achieve climate neutrality by 2050. With this, ESG needs to be

ventions than green building certification. Green building certification helps to achieve some of the ESG goals for buildings and is a great way to achieve specific goals of a broader corporate ESG strategy.

A building with an ESG strategy will have a limited negative impact on the environment and its users. The E aspects relating to the use of resources have a positive influence on biodiversity, GHG emissions, climate change adaptation and mitigation, to name the key ones. They are very well understood and, in many instances, required by the increasing regulations.

## SOCIAL

The social aspect of ESG may still sound a bit enigmatic for investors and property managers alike. Yet, the rise of social and governance issues today, focusing on diversity and inclusion and human rights, is a fact. The question is how to transfer these aspects to ESG charters

daily commuting, nutrition and lifestyle in general. Buildings should be opened to the local community and play an integrating role.

## THE CSRD AND REAL ESTATE

On Nov 10, the EU Parliament adopted the Corporate Social Responsibility Directive (CSRD). It will succeed the incumbent Non-Financial Reporting Directive (NFRD). The new directive aims to boost sustainability in the real estate sector. It is intended to eliminate the negative impacts that businesses have on people and the environment, and according to experts, has the potential to increase the engagement of businesses with the Sustainable Development Goals.

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part of business strategies and business models for real estate and construction companies. The ESG aspects should also be reflected in business plans for individual buildings or portfolios of assets.

## ESG REPORTING

Nowadays, investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities. The full spectrum of ESG metrics is not

## ESG VS GREEN BUILDING CERTIFICATION

ESG is complex and much broader than green building certifications such as BREEAM, LEED and WELL Building Standard. Also, to reach their Net Zero targets, companies need focused strategies and inter-

for buildings. We need to examine the impacts buildings have on the environment, well-being, and social value outcomes affecting people, supply chains, residents, occupiers and communities.

The aspects that should be adopted widely by the industry include the building's diversity and inclusion policy, its impact on the users' long-term health by creating a healthy indoor environment, and providing people with healthy choices regarding