

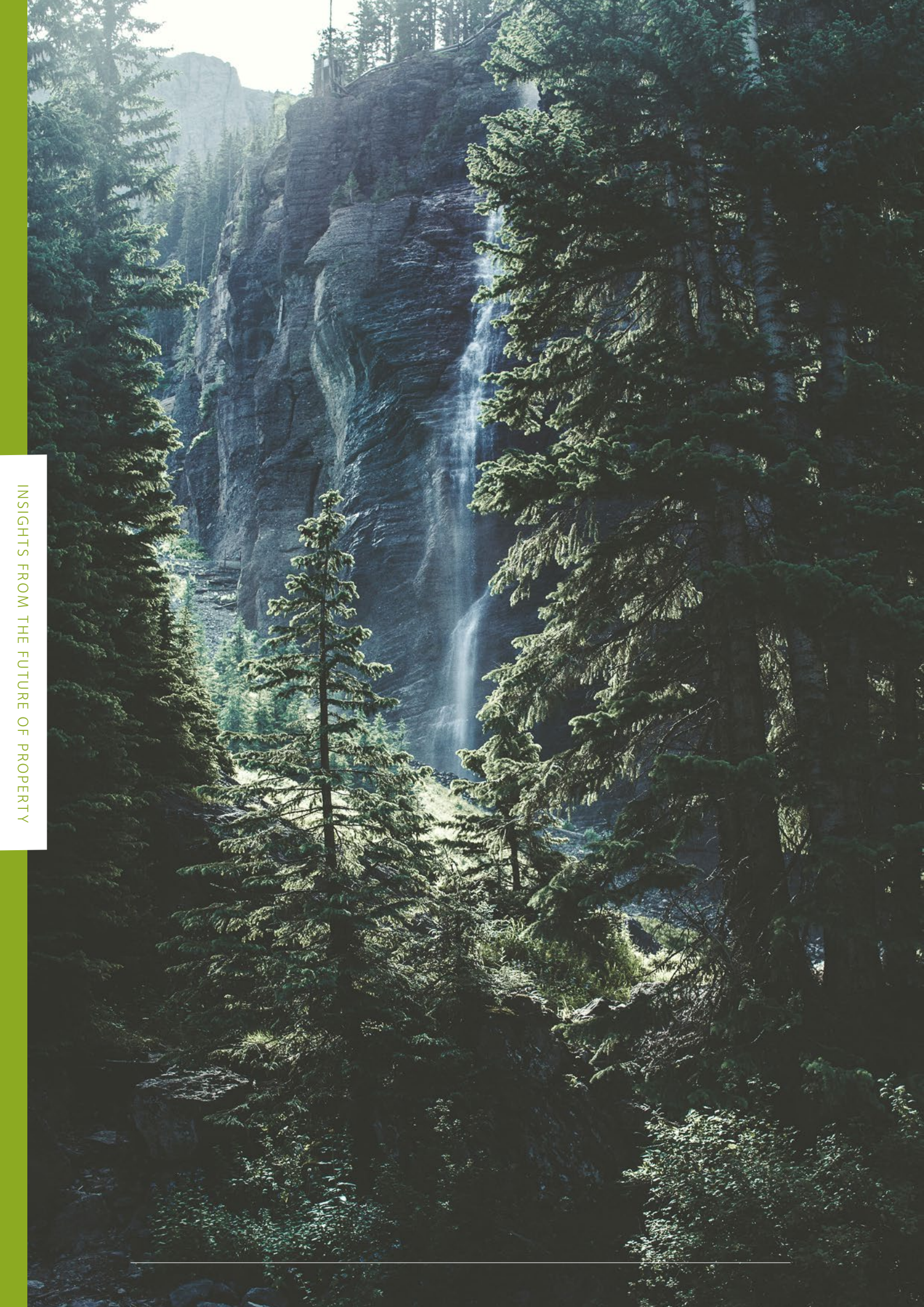
ESG Initiatives, Barriers & Solutions: Insights from the Future of Property

December 2022

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INSIGHTS FROM THE FUTURE OF PROPERTY



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Forewords



Isabelle Hease

Chair of BPF Futures Board
and CEO of Visitor Insights Ltd.

Tackling ESG challenges is a huge priority for young people, both the young professionals in our industry, but crucially it's a topic of interest across our communities nationwide. And that's why environmental, societal and governance practices are a key focus of the BPF Futures Advisory Board.

This year we focused a number of our initiatives around the topic, dedicating a range of events around policy and legislation that impact ESG and Sustainability, to not only educate, but engage young professionals in the conversation.

Our new flagship initiative under the Influencing pillar is the Policy Congress, which aims to bring the voices of young people into the policy debate. We held two BPF Futures Policy Congresses in the last 12 months, which highlighted some very clear challenges for everyone about their role in delivering ESG changes in the built environment, and the solutions we could collectively employ to make the most impact across our respective businesses.

While focus on ESG remains of central importance across the sector, it's the young professionals of today who will ultimately be those driving the change now and into the future, which is why it's so important the Futures take a leading role in shaping both policies and outcomes.



Debra Yudolph

Partner at
SAY Property Consulting LLP

Before this project started, we had already facilitated the development of a SAY ESG Taskforce to consider how we can improve our day-to-day operations as a business and embed the principles of ESG across all of our consultancy work.

We signed up to the BPF Net Zero Pledge and Company Mentorship Programme, introduced digital QR code business cards in place of traditional cards and we reviewed our supply chain. We appointed mental health first aiders within our team, introduced paid volunteering days to all employees and encouraged everyone to join a mentoring scheme. We are at the beginning of our journey but are keen to take the lead, particularly for small businesses.

We felt that we were working in a bit of a bubble and that we needed to learn from other organisations. So, we developed the idea for the ESG Solutions Session, to harness the benefits of sharing ideas and lessons learnt from the future leaders within organisations across the real estate industry.

The event was a huge success and it was rewarding to see that some of our ideas were interesting to other larger organisations and vice versa.

I would like to thank BPF Futures and British Land for working with us on this important issue and to all attendees who put forward some creative, insightful and sophisticated ideas which have been captured in this insight paper.

Overview

SAY Property Consulting hosted an ESG Solutions Session in partnership with BPF Futures during COP-27 'Solutions Day'. The event was hosted by British Land at the TEDI campus in Canada Water, London.

The real estate industry contributes nearly 40% of global CO2 emissions and plays a critical role in the UK's chances of reaching the net zero carbon target by 2050. The sector is also a huge lynchpin of the UK's economy, contributing £107 billion every year [equivalent to 6% of Gross Value Add (GVA)] and providing nearly 2.3 million jobs – that is one in every 13 jobs in the UK (BPF, 2022¹). By 'greening' business practices and developing authentic Environment, Social and Governance (ESG) strategies, the property sector has the means to truly make a difference.

ESG provides a framework to measure the performance and impact that a company might have on the environment, society and its stakeholders. It also demonstrates to existing and prospective employees that the company is serious about its community impact, employee engagement and upholding a healthy workforce. What's more, ESG is positively influencing the creation of professional roles and encouraging younger generations to remain within the sector.

During the BPF Annual Conference in June 2022, BPF Futures members asked for an end to greenwashing, with positive environmental and social initiatives embedded in companies' ethos, backed up by tangible ESG and sustainability strategies. They also called upon the industry to work together by sharing best practice, intellectual property and other resources, to ensure the industry acts on the climate crisis in a coordinated and comprehensive way. The BPF Futures Policy Congress participants sent another very clear, final message – that the real estate industry must be innovative, forward-looking and decisive on the climate crisis if it wishes to retain and attract young talent. If the real estate industry acts on the climate crisis in a fragmented way, organisations leading the way will find an ample supply of young talent, and the laggards will not.

By bringing together BPF Futures members and non-members at a round table discussion, this enabled collaboration between a range of small to medium-sized enterprises (SMEs) and larger corporate companies. The focus of the Solutions Session was internal company-level ESG strategies and to understand what initiatives had worked well, identify the barriers to introducing more initiatives and the solutions to removing these barriers. The overarching themes of the Solutions Session were therefore 'Initiatives, Barriers and Solutions' across 'E', 'S' and 'G'.

The attendees were from companies which ranged from law firms, investment funds, professional landlords, built environment designers, building hardware suppliers, property technology providers, data insight consultants to real estate services, planning and development services, property and asset management companies, and project and development management companies. As the future of property, the attendees will, at some point, be influencing the ESG agenda and hence their views and insights are the focus of this paper.

Multiple polls were employed throughout the Solutions Session and the data from the polls has been used to inform the findings of this insight paper. Our initial findings suggest that over 90% of young employees generally feel that they have a voice regarding ESG at their companies and that there is scope for them to advance more initiatives.

On a scale of 1-5, do you feel like you have a say regarding ESG at your company?

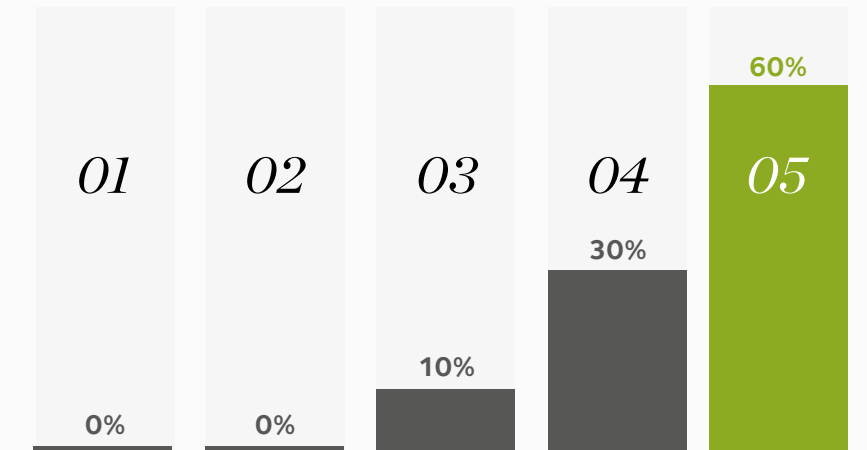


Figure 1: Results from the opening poll at the ESG Solutions Session

¹ <https://bpf.org.uk/media/5241/2204-bpf-research-economic-footprint-april-2022.pdf>



Environment Initiatives

Do you feel your company has effective and genuine environment initiatives in place?

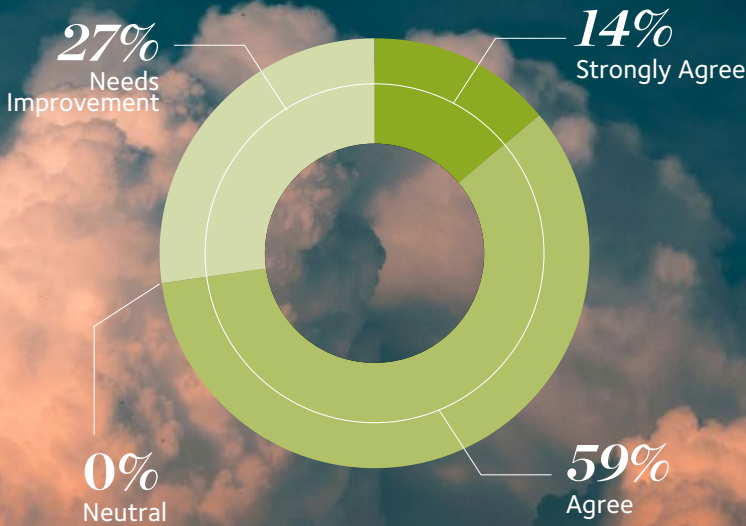


Figure 2: Results from the environment initiatives poll

Over half of attendees agreed (59%) and strongly agreed (14%) that their company had effective environment initiatives in place, yet 27% felt that more can be done. Nevertheless, modest initiatives such as weekly Oddbox deliveries of unwanted fruit produce and the Bike2Work scheme have been successful.

Employees from large corporations were aware that their company has been utilising carbon monitoring techniques and measuring their carbon output, however, for SMEs, achieving this has been both challenging and less of a priority. This has been due to limited dedicated human resource and funds.

“When it comes to environment initiatives, it is difficult to start and can be overwhelming to begin.” – Attendee, SME

Some attendees felt that the office environment which their company physically occupied helped with permeating ESG into the company culture. Where a larger company considered the environmental credentials of an office space they were moving into, this supported them in limiting the environmental impact of their business operations.

Whilst most companies had been focussing on external programs and the sustainability of the buildings they are appointed on, some attendees believed their company could do more to improve their internal company environment initiatives (e.g., how employees work, travel to work and company supply chains). It was also an aspiration that companies should consider the environmental impact of the projects they are appointed on. However, it was recognised that turning away work, if it had a negative environmental impact or if a client did not have sufficient ESG credentials in place, could be detrimental to company profitability, particularly for SMEs.

Barriers to Environment Initiatives

Your company would be open to implementing some of the environment initiatives put in place by the other companies around the table.

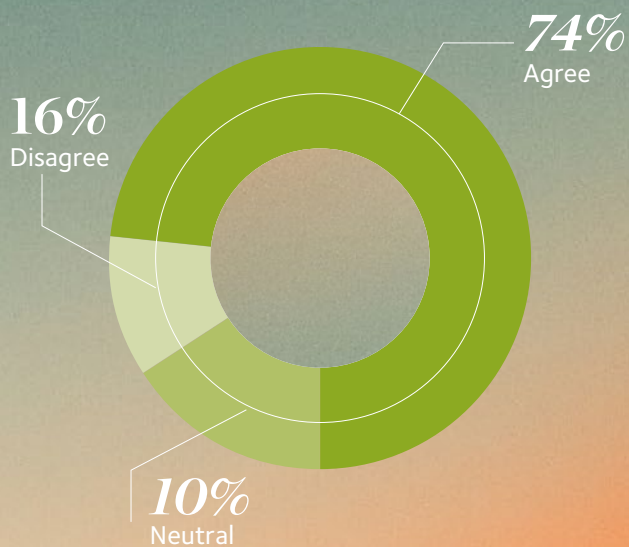


Figure 3: Results from the barriers to environment initiatives poll

Most attendees (74%) felt that their company would be open to change, yet a minority (16%) believed their company would be resistant to furthering more environment initiatives. Practical issues such as allocated time and capital were mentioned as the main barriers, and progress has been slowed by the need for senior management to approve and enforce change. To overcome this issue, younger generations (with the right training) need more responsibility over ESG within their companies.

“It is important to take on board what the younger generation want. The crucial point is to link senior leaders with younger talent in order for companies to successfully instil change.” – Attendee, SME

A barrier to understanding the effectiveness of environment initiatives is due to the lack of data via collection and monitoring processes. Companies are not typically incentivised to benchmark or monitor their carbon output due to a lack of understanding surrounding what carbon actually looks like, how carbon can be offset and how carbon monitoring techniques can be implemented. Attendees recognised there is a prevalent lack of support for SMEs on these processes.

Social Initiatives

Do you feel your company has effective and genuine social initiatives in place?

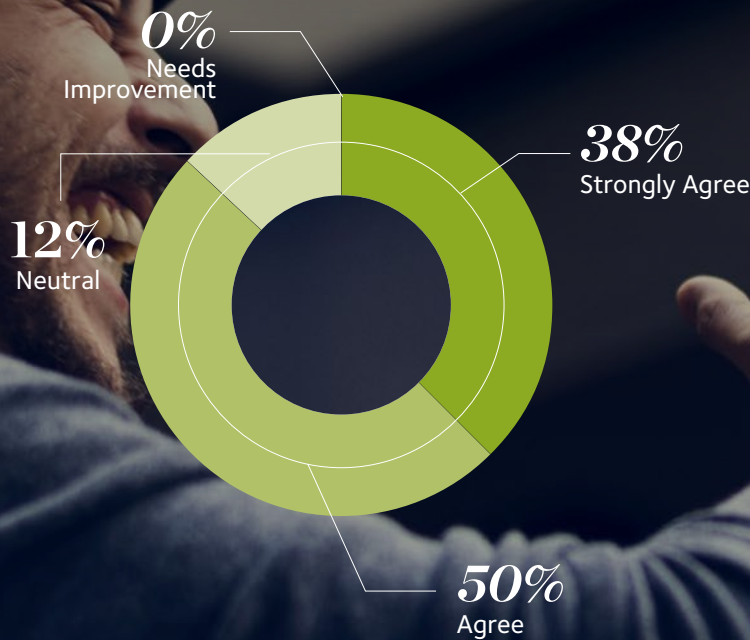


Figure 4: Results from the social initiatives poll

For companies to remain competitive and retain talent, there is a need to implement robust and authentic social initiatives.

“If you don’t provide social initiatives for the employees within your company, you become less attractive as an employer and get left behind.” – Attendee, SME

As the most positive results across ‘E’, ‘S’ and ‘G’, the majority of attendees (88%) agreed that their company had effective and genuine social measures in place.

Successful social initiatives included wellness rooms for employees, ‘fun funds’ for social events, working groups such as a LGBTQ Working Group and BAME Working Group, and regular diversity and inclusivity awareness training.

Whilst companies generally do social well, attendees still felt that more could be done surrounding social awareness and engagement. There is a clear lack of understanding from the general public surrounding the property sector and the available career opportunities. Attendees felt that their company should give more attention to communicating these opportunities to schools, colleges, and / or universities as part of community engagement.

“We need to do a better job at communicating and community engagement. We are missing a trick here.” – Attendee, large company

Barriers to Social Initiatives

Your company would be open to implementing some of the social initiatives put in place by the other companies around the table.

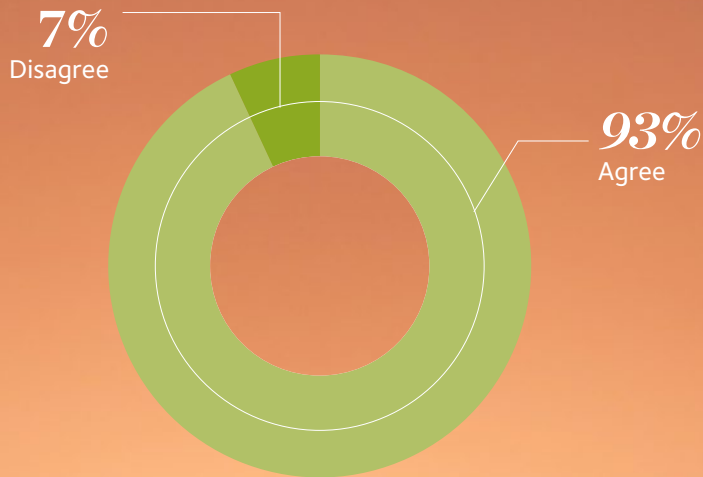


Figure 5: Results from the barriers to social initiatives poll

Most attendees (93%) felt that their company would be open to enhancing their social initiatives. On the whole, social initiatives are easier to implement and generally occur organically, even if companies do not have formal ESG strategies in place.

Some attendees also agreed that social initiatives are surrounded by positive reinforcement when compared to 'E' and 'G' (e.g., 'don't do this', 'no', 'restrictions'), which generally renders social initiatives more attractive for employees.

However, the time taken to implement change was the main barrier for companies to further their social initiatives. Another reason was the shift to remote and hybrid working following the COVID-19 pandemic. Some attendees felt that this led to a disconnect, reduced innovation and the requirement to create social initiatives.



Governance Initiatives

Do you feel your company has effective and genuine governance initiatives in place?

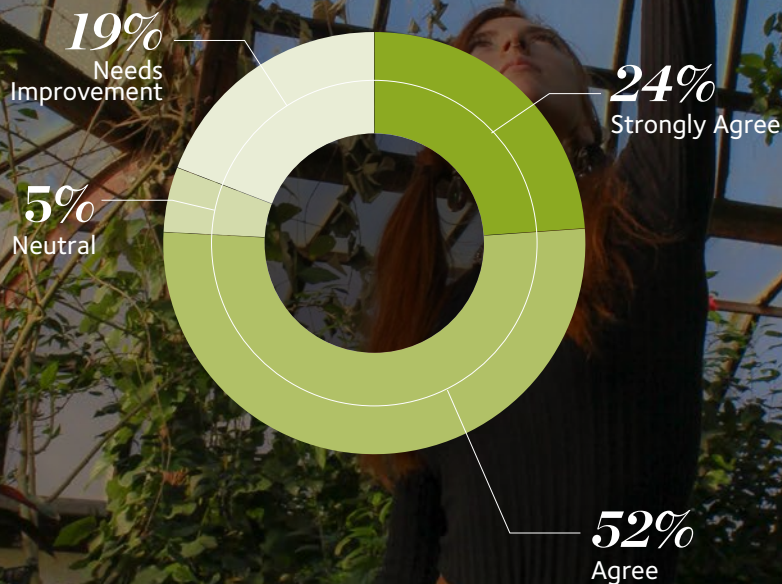


Figure 6: Results from the governance initiatives poll

Most attendees agreed (76%) that effective governance initiatives were in place within their organisations.

The corporate structure of a company and ESG-focussed roles generally influenced the success of ESG programs. Attendees felt that initiatives such as an allocated Head of Sustainability within each department, an ESG working group and dedicated ESG employees improved success rates, particularly when those appointed into ESG roles are given appropriate training and development.

Companies could also adopt 'Networks', such as a 'New Joiners Network', 'Sports Network' or a 'Women's Network' (including male members), which focusses on issues such as maternity pay and leave. This had been successful for a large company, where the 'Networks' were formed of passionate people discussing subjects which personally matter to them, helping to instigate change and growth.

“Allowing these Networks to instigate change within the company and the overall hierarchy works really well.” – Attendee, large company

On remuneration, companies could link bonuses to fulfilment of ESG KPIs, helping to gain company-wide buy-in. Alternatively, some larger companies paid money into a 'Green Fund' if they did not fulfil internal ESG KPIs, and the funds then used to invest in sustainable technologies or to offset carbon emissions.

Barriers to Governance Initiatives

Your company would be open to implementing some of the governance initiatives put in place by the other companies around the table.

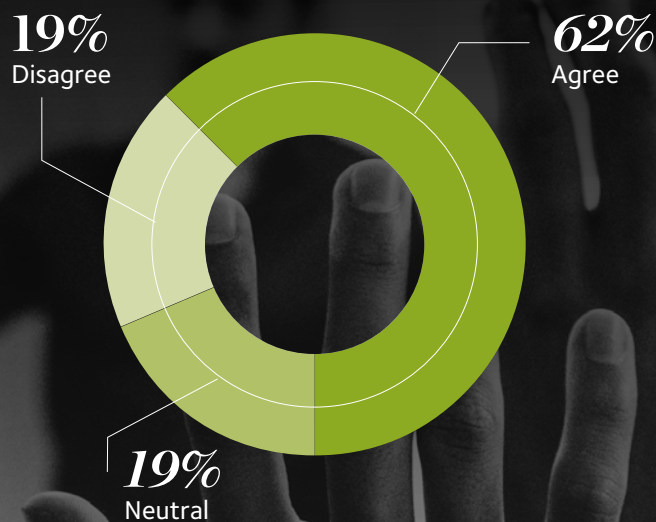


Figure 7: Results from the barriers to governance initiatives poll

Most attendees (62%) agreed that their company would be open to augmenting their governance practices. However, attendees felt that companies were less likely to implement governance initiatives when compared to environment or social initiatives.

Some SMEs did not have formal governance processes in place and it was therefore more challenging for them to introduce ESG initiatives overall.

Barriers included understanding the financial bottom-line impact of initiatives and obtaining buy-in at all levels of the company. It was also proposed that Governance is generally viewed as “boring” and would benefit from a rebrand, such as ESC, with ‘C’ for ‘Culture’ or EST, with ‘T’ for ‘Transparency’.

“As a company, we were surveyed on ‘What does a responsible business look like?’. ESG should be more than just a corporate buzzword, it should be about being a responsible business which is foundational to our culture.” – Attendee, large company

There was much discussion surrounding young talent and distributing responsibility over ESG across all levels of seniority. Employees that worked within a company for a long time tended to be more “old school” in their views and as such did not typically engage in furthering ESG as much as their newer, younger counterparts.

The lack of time also acts as a major barrier for senior management to focus on governance initiatives. The creation of a ‘Youth Board’, which operates alongside the ‘Senior Board’, has been a successful initiative to overcome these issues and has helped to retain talent on a long-term basis, by providing all employees with a governance purpose.

“It is necessary that younger generations have a say, especially as they are the future.” – Attendee, SME

Solutions

What would help your company in implementing some of the discussed initiatives?

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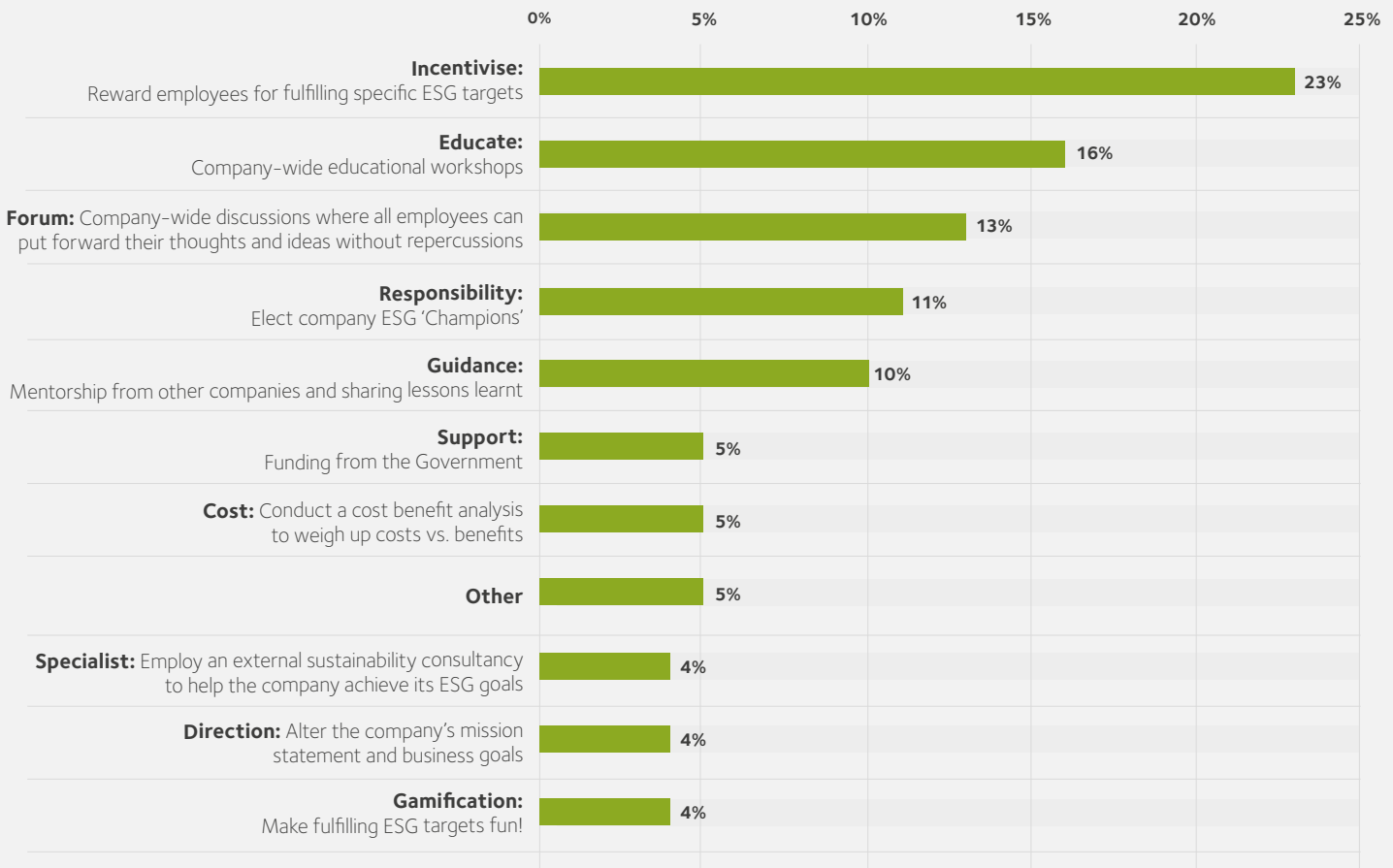


Figure 8: Results from the ESG solutions poll

The top three solutions were:

- Incentivise **(23%)**
- Educate **(16%)**
- Forum **(13%)**

Due to the importance of obtaining employee buy-in, attendees felt that bonus-linked ESG incentives could lead to further encouragement and instigate change. However, this may not be a viable solution for every company, as noted by attendees from SMEs. Alternatively, more affordable, creative initiatives such as a 'Walk to Work and Grab a Coffee On Us' scheme could be considered.

Most attendees recognised the importance of education in developing their company ESG strategies; education that is both affordable and easily accessible, particularly for SMEs. Becoming 'Net Zero' is not yet wholly defined and there is no approved methodology for measuring the effectiveness and success of 'S' and 'G'. If education surrounding ESG is to be provided, companies must work towards set parameters.

“As a small company, it is extremely difficult to understand what ‘net zero’ is as there is no set definition, nor are there any simplistic, affordable, tangible ways to measure it.” – Attendee, SME

With regards to 'Forum', attendees felt that employees at all levels of seniority should discuss ESG collectively. This would encourage idea sharing, feedback sessions and enlighten employees of achievements and lessons learnt when developing a company ESG strategy.

“Feedback loops are fundamental to streamlining ESG within our company. ESG strategies are likely to be at the beginning of their journey, so feedback loops allow companies to both celebrate successes, but also to reflect on the challenges faced.” – Attendee, large company

Conclusion

On a scale of 1-5, do you feel more encouraged to promote ESG within your company?

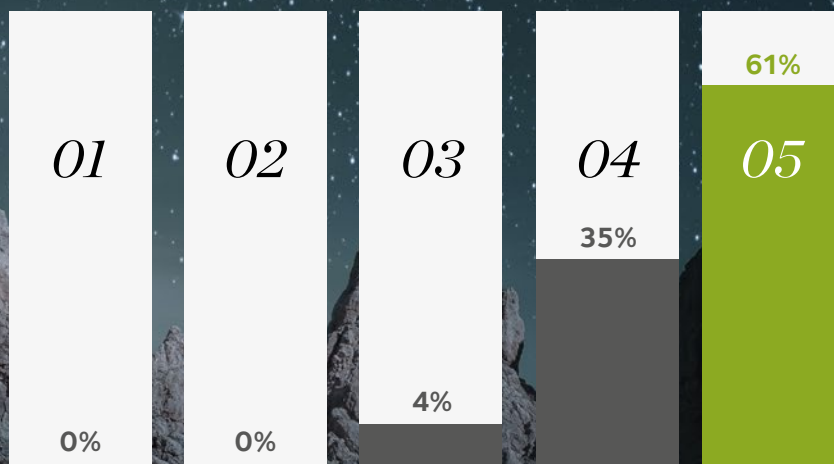


Figure 9: Results from the concluding poll

Following the Solutions Session, most attendees (61%) felt more encouraged to push forward more ESG initiatives within their company. In order to promote change, it is apparent that younger generations require and want more responsibility on ESG, and where governance needs to change, environment and social initiatives can then follow and come to fruition.

Some attendees agreed during the round table discussion that they were much more likely to leave a company that held a low regard for ESG. Thus, ESG initiatives and solutions are key to retaining young talent in the real estate industry.

Recommendations for Companies

01

Start small and think big:

Even the smallest environment initiatives can go a long way like Oddbox deliveries and the Bike2Work scheme.

02

Location, location, location:

Companies should pay closer attention to the environmental credentials of the buildings and spaces they occupy.

03

What gets measured gets managed:

Companies should employ a third-party consultancy or independently monitor their carbon output where possible. SMEs can seek help through free resources, such as the SME Climate Hub.

04

Educate: More is needed from companies to educate their employees on carbon and what this looks like. Employees should be encouraged to make better choices, for example, 'by utilising public transport, you can save up to 0.98 tonnes of CO2 each year, which is equivalent to saving almost 40 trees'.

05

Screening: Where possible, companies should vet their clients and projects based on their ESG credentials and environmental impact.

06

Community involvement:

Companies should advocate community engagement opportunities. This could include educational talks at schools and offering work experience opportunities within the real estate industry.

07

Responsibility: More governance responsibility should be given to younger generations within a company, to educate young professionals on how businesses operate and to promote meaningful change.

08

Rebrand governance: Where the 'G' in ESG is least understood, this could be adapted to ESC, with a larger focus on embedding initiatives within the culture of the company.

09

Remuneration: Employee bonuses could be linked to fulfilment of company ESG KPIs to gain buy-in from the entire company. Alternatively, the use of 'Green Funds' could be considered, or a 'Walk to Work and Grab a Coffee On Us' scheme for SMEs.

Company Profiles



British Property Federation (BPF) Futures are a community of talented, young-in-career professionals who are passionate about the real estate industry. The BPF Futures network is designed to develop tomorrow's property industry leaders, to ensure a more sustainable future for our sector and the UK's economic and social wellbeing. Membership is open to anyone with fewer than 10 years' experience in the property industry.



SAY Property Consulting are an award-winning advisory business which provides residential, commercial, and mixed-use management consultancy services to property owners, developers and investors. They are an SME and have been augmenting their ESG strategy internally as a company and externally throughout their workstreams.



British Land are a FTSE100 REIT, holding more than £14.3 billion of assets under management, and overseeing 21.9 million square feet of floor space. They are one of the largest property development and investment companies in the UK. British Land have focussed their efforts on a diverse, sustainable, and inclusive culture as part of their ESG strategy.





say

BPF futures