The ESG Sentiment Survey
What’s on the mind of ESG Leaders in Real Estate

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Deborah Cloutier
President and Founder
dcloutier@retechadvisors.com

Jack Davis
Director of Program Development
jdavis@retechadvisors.com
Friends and Colleagues,

We at RE Tech Advisors are pleased to share the results of our first annual “ESG Sentiment Survey.” Our goal with this effort is to take a barometer reading of leaders in sustainability in commercial real estate, and understand what issues, trends, hopes, and frustrations are influencing their work. We hope to conduct this survey annually going forward, tracking many of the responses over time to show changes year to year.

The following pages summarize the results, including interesting quotes and direct statements from many of the respondents. We sent this survey to a select group of over 100 real estate professionals, 35 of which completed the full survey. Based on this information, 2018 was a year of significant progress. Respondents reported making headway on stakeholder engagement and building internal buy-in within their organizations. Budgets are trending slightly upwards, and the overall profile of ESG issues as a part of real estate investment management shows signs of increased recognition.

But work remains and challenges continue. Significant respondents see a priority need to strengthen and enhance their organizational buy-in – whether that means better articulating the business case or simply improving understanding of how ESG factors can add value in real estate. Energy efficiency still remains a primary focus of the industry, but new issues such as climate risks, health and wellness, smart buildings, and tenant/resident engagement are moving to the front of the line.

Data management remains a headache, and there is some sign of “reporting fatigue” among respondents. But the passion and excitement for diverse and emerging topics such as energy storage, smart meters, renewables, and building analytics is palpable. We look forward to seeing what emerges next in our ESG corner of the real estate marketplace.

For those of you who participated, we thank you for your input and appreciate your insights. Based on the results, we believe 2019 will be another year of great opportunities and interesting challenges, and we look forward to continuing to collaborating with and support your leadership in the year ahead.

Thank you,

Deb Cloutier    Jack Davis
About the Respondents

Which of the following best describes your organization's primary function?

- Investment Manager: 26%
- Developer: 23%
- Property Manager: 14%
- Trade association, industry group: 11%
- REIT: 11%
- Institutional Investor: 6%
- ESG Consultant: 6%
- Public sector / non-profit: 3%

n = 35

Which of the following best describes your role in your organization?

- Asset Management: 60%
- Operations: 34%
- Senior Executive: 3%
- Sustainability: 3%

How long has your ESG program or the program you support been in place?

- More than 5 years: 27%
- 3-5 years: 5%
- 1-3 years: 3%
- Less than 1 year: 1%

0 5 10 15 20 25 30
What went well in 2018?

In a few words, describe your greatest success in the past year:

- Met 2020 target early; set new renewable energy target…
- Integrating ESG into property acquisitions and due diligence.
- Publishing our inaugural corporate sustainability report.
- Converting an existing building to a net zero energy building.
- Not getting fired....

**Top 3 Responses**

- Improved Stakeholder Engagement/Reporting (18%)
- Improved Internal Support/Buy-in (13%)
- Generating Significant Energy Savings (13%)
- Earned Major Recognition (10%)
- Achievements in Health and Wellness (10%)
- Innovations - Submetering Program, Green Bonds, Climate Risk Assessment (8%)
- Improved Data Management/Assurance (5%)
- Met/Exceeded Performance Targets, Science Based Targets (5%)
- Increase in Building Certifications (5%)
- Established Community Workforce Initiative (5%)
- Carbon Neutral Operations (3%)
- Completed Significant Renewable Investment (3%)
- Integrating ESG in Due Diligence (3%)

n = 35, multiple responses allowed
Compared to 2018, do you expect your 2019 budget for ESG programs and activities to:

- Increase significantly: 3%
- Increase slightly: 50%
- Stay about the same: 47%

How would you categorize the awareness of ESG initiatives within your organization or the organization you support?

- Minimal – “What does ESG mean again?”
- Sporadic
- Moderate
- Very strong - ESG is well-understood organization-wide

2018 position (Avg. 2.1)

How would you categorize the support for ESG initiatives within your organization or the organization you support?

- Passive/Aggressive
- Neutral - The organization tolerates my ESG work
- Moderate
- Very strong - ESG is an organizational imperative

2018 position (Avg. 3.1)

Budget, Awareness, and Support

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2018 position (Avg. 3.1)
Please indicate the extent to which you agree/disagree with the following statement: "My focus on ESG has a positive impact on my future career trajectory."

How would you categorize the performance of your ESG/Sustainability program in the past year?

- 4. Strongly agree
- 3. Moderately agree
- 2. Neutral
- 1. Moderately disagree
- 0. Strongly disagree

Average Response: 3.2

- 4. Exceeding expectations
- 3. Moderately successful
- 2. As expected
- 1. Moderately disappointing
- 0. Significantly below expectations

Average Response: 3.2

n = 32
What is the focus for 2019?

In a few words, what is your top ESG priority for the next year?

“Continue to quantify the business value of ESG; implementing the recommendations of TCFD…”

“…make our program more visible across our company and industry, globally.”

“…develop stronger adaptation and resilience strategies…”

“Further development of ESG data integration into investment analysis and financial models…”

n = 35, multiple responses allowed
What about GRESB?

In your view, GRESB...

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides actionable and material information to stakeholders.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Provides an accurate view into the progress made by me and my peers.</td>
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<td>Fosters collaboration and buy-in within my organization.</td>
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<td>Appropriately assesses the value of my ESG efforts.</td>
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<tr>
<td>Strikes the right balance between cost/effort of participation and value provided to stakeholders.</td>
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</tbody>
</table>

“GRESB is very challenging and we are finally noticing internal stakeholders understanding the importance of GRESB to investors."

“I don’t believe that our investors are using GRESB. It is more of a report card we use to measure ourselves against our peers…”

“...investors don't read the minute details...only look at the score.”

“It helps frame conversations with senior leaders when we are implementing new ideas.”

“The opportunity cost of GRESB is large. There are many improvement projects not completed due to time spent on our reporting efforts.”
Strategic focus areas for 2019

How important are the following to the success of your ESG strategy in the next year?

- Energy efficiency upgrades/investments
- Tenant/resident engagement
- Climate risk and resilience
- Water efficiency upgrades/investments
- Community Engagement
- Health and Wellness
- Waste management practices
- Smart buildings and new technologies
- Green building certifications
- Investment governance
- Renewables
- Electric vehicles
- Walkability
- Energy storage
- Bicycle facilities

Top 3 Responses by average score, where 10 = “Extremely Important” and 0 = “Not Important”

Other areas receiving mention: Indoor air quality & pollution, broker engagement, and staff education/engagement.
What ESG issues do you personally feel the most passionate about or enjoy working on?

- **Energy/Carbon Reductions**: 37.5%
- **Health and wellness**: 18.8%
- **Climate risks**: 15.6%
- **Investor relations**: 9.4%
- **Renewables**: 9.4%
- **Internal engagement**: 6.3%
- **Financial value**: 6.3%
- **Smart buildings/New technologies**: 6.3%
- **Tenant/resident sustainability**: 6.3%
- **Resiliency**: 6.3%
- **Waste management**: 3.1%
- **Community engagement**: 3.1%
- **New construction**: 3.1%

**“Responding to, and furthering, investor interest in ESG programs…”**

**“Educating colleagues about climate change risks.”**

**“Incorporating ESG into the investment process…”**

**“Resident and team member engagement..”**

**“Scaling effective new technologies.”**

n = 32, multiple responses allowed
Areas of frustration

What ESG issues cause you the most frustration?

- Data issues: 21.9%
- Reporting burden: 15.6%
- Tenant issues/split-incentives: 15.6%
- Business case/documenting value: 12.5%
- Waste management: 9.4%
- Resilience: 6.3%
- Governance: 6.3%
- Certifications: 6.3%
- Social: 3.1%
- Internal alignment: 3.1%
- Health and wellness: 3.1%
- Financing: 3.1%
- Community engagement: 3.1%
- Stakeholder outreach: 3.1%
- Failure of U.S. climate leadership: 3.1%

“The challenge of tying financial benefits to sustainability programs or initiatives…”

“Poor data quality and reports from utility providers and data platform vendors.”

“The non-believers. Trying to figure out how to present evidence that they cannot disagree with.”

“Reporting. It’s become more complicated and time-consuming, making my managers think of me as “overhead” not as a value creator.”

n = 32, multiple responses allowed
What’s new?

What new technology, building amenity, or real estate innovation are you most excited about at the moment?

“Wearable air quality monitors.”

“...the connection of smarter buildings to a smarter grid - sensors, automation, energy storage, etc.”

“Personally, I just love a good green wall...”

“...the possibility of making buildings smarter to gather more information and improve energy efficiency.”

“Making building common areas ‘an experience’...”

n = 32, multiple responses allowed
Industry Group ESG Power Rankings

How influential are each of the following organizations to your work in ESG?

*GRESB*  (Avg. score: 2.4)

*LEED USGBC*  (Avg. score: 2.1)

*Nareit*  (Avg. score: 1.8)

*ENERGY STAR*  (Avg. score: 2.3)

*ULI Institute*  (Avg. score: 1.9)

Top 5 Responses by average score, where 3 = “Very Influential” and 0 = “No Influence”

Other organizations receiving mention: