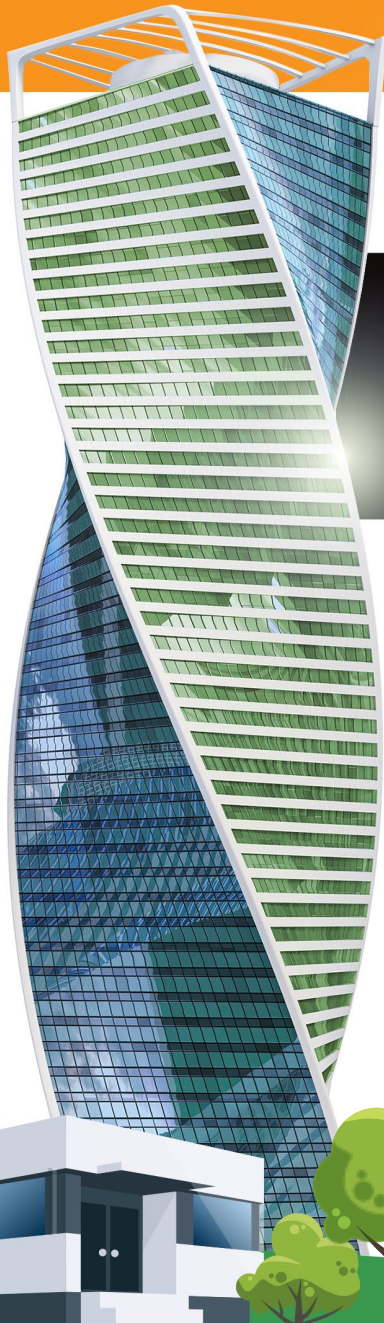


Environmental Social Governance



THE DNA OF ESG

Decoding the value of ESG, and converting that to a business advantage.

PRESENTED BY:



SPONSORS:



ESG 101

Dave Pogue
Chief Strategy Officer
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DECODING ESG

ESGENOME



Decarbonization

Clayton Ulrich
Senior VP & Global
Sustainability Officer
Hines

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President
Brightcore Energy

Resilience

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ArcSkoru

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DEI

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Ferguson Partners

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CORPORATIONS

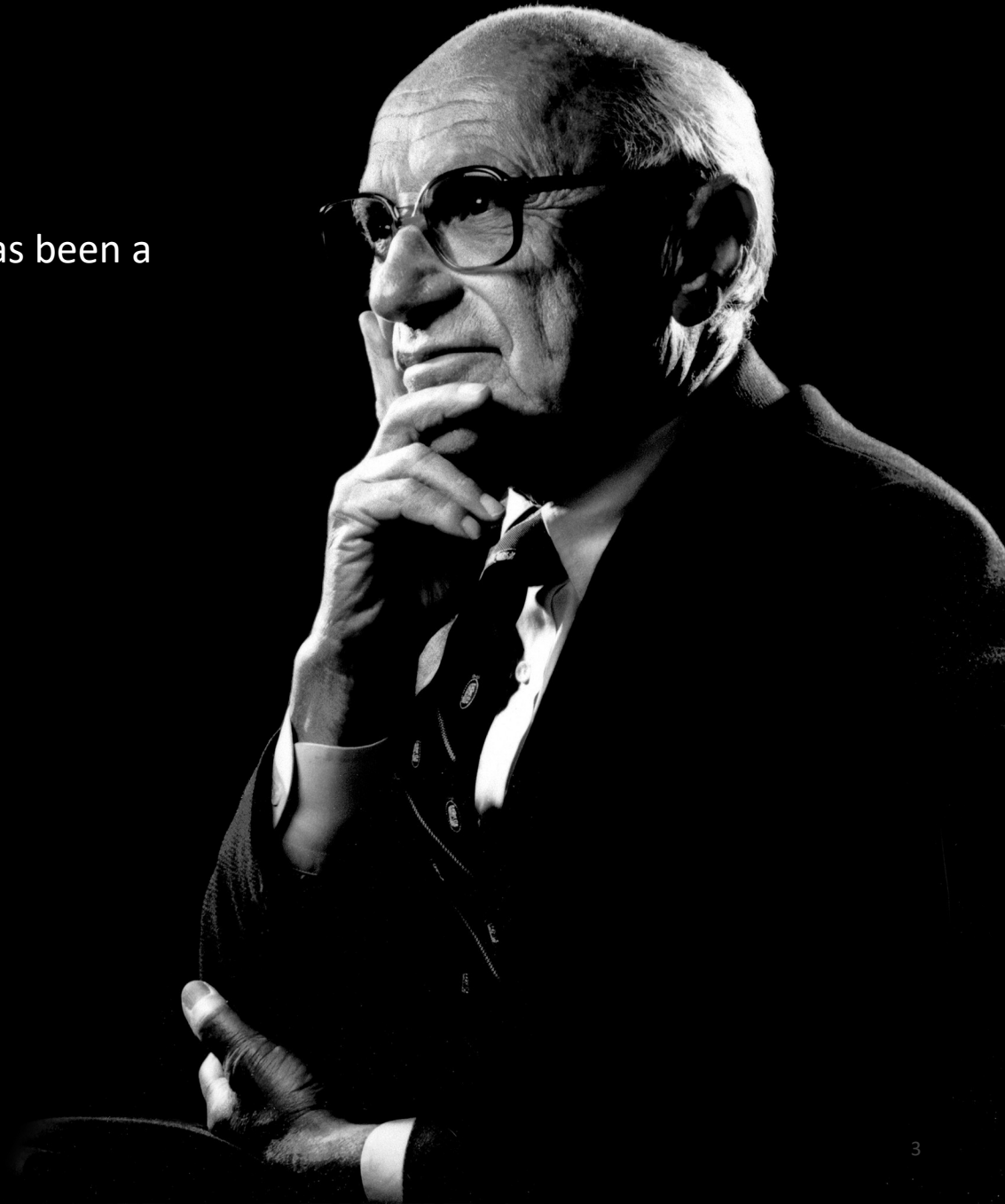
PAST

Since the days of Milton Friedman's free market capitalism, there has been a seismic shift in the view of a corporation's responsibility to their stakeholders.

At that time...

“ **The only corporate social responsibility a company has is to maximize its profits.** ”

Milton Friedman
Economist
Nobel Prize, 1971



CORPORATIONS

PRESENT

According to the Business Roundtable, responsible companies play a vital role in society as engines of creativity, innovation and economic opportunity — investing in employees, dealing fairly and ethically with suppliers, supporting the local community and generating long-term value for shareholders.

Now we know...

“ Environmental, social and governance (ESG) issues — ranging from climate change to diversity to board effectiveness — have real and quantifiable financial impacts. ”

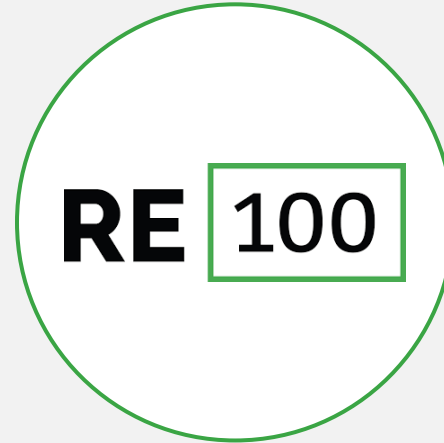
Larry Fink
CEO, BlackRock
2020



**The built environment emits nearly
40% of all carbon globally.**

Corporations

Measuring Systems

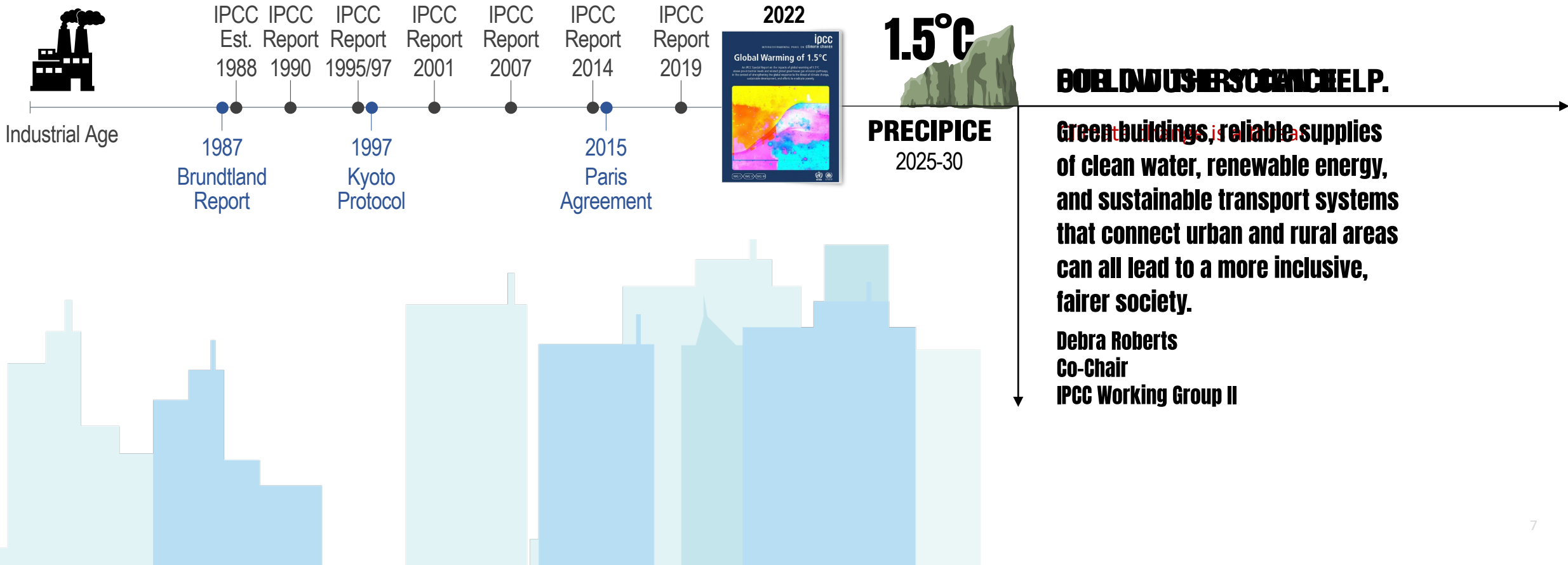


Climate Change

Global Response

Following the birth of the modern environmental movement in 1970 and establishment of the IPCC,* increased amplification of science-based evidence has signaled a greater urgency of action on climate change.

* UN Intergovernmental Panel on Climate Change



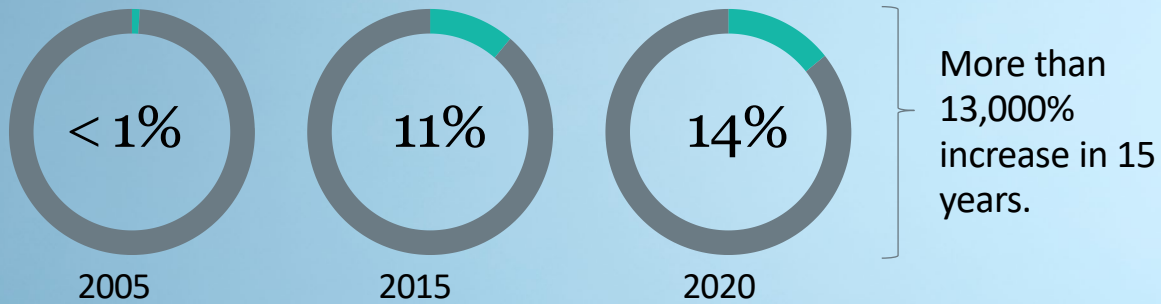
Assets

Green Adoption

GBAI

In 2014, CBRE partnered with Maastricht University to create the Green Building Adoption Index (GBAI), which measured the uptake of green building adoption (LEED certified and/or ENERGY STAR labeled) in the top 30 largest U.S. office markets.

Higher Standard



UPSHOT

By 2020, nearly 14% of all buildings and over 42% of square footage in the top 30 U.S. office markets were documented green.

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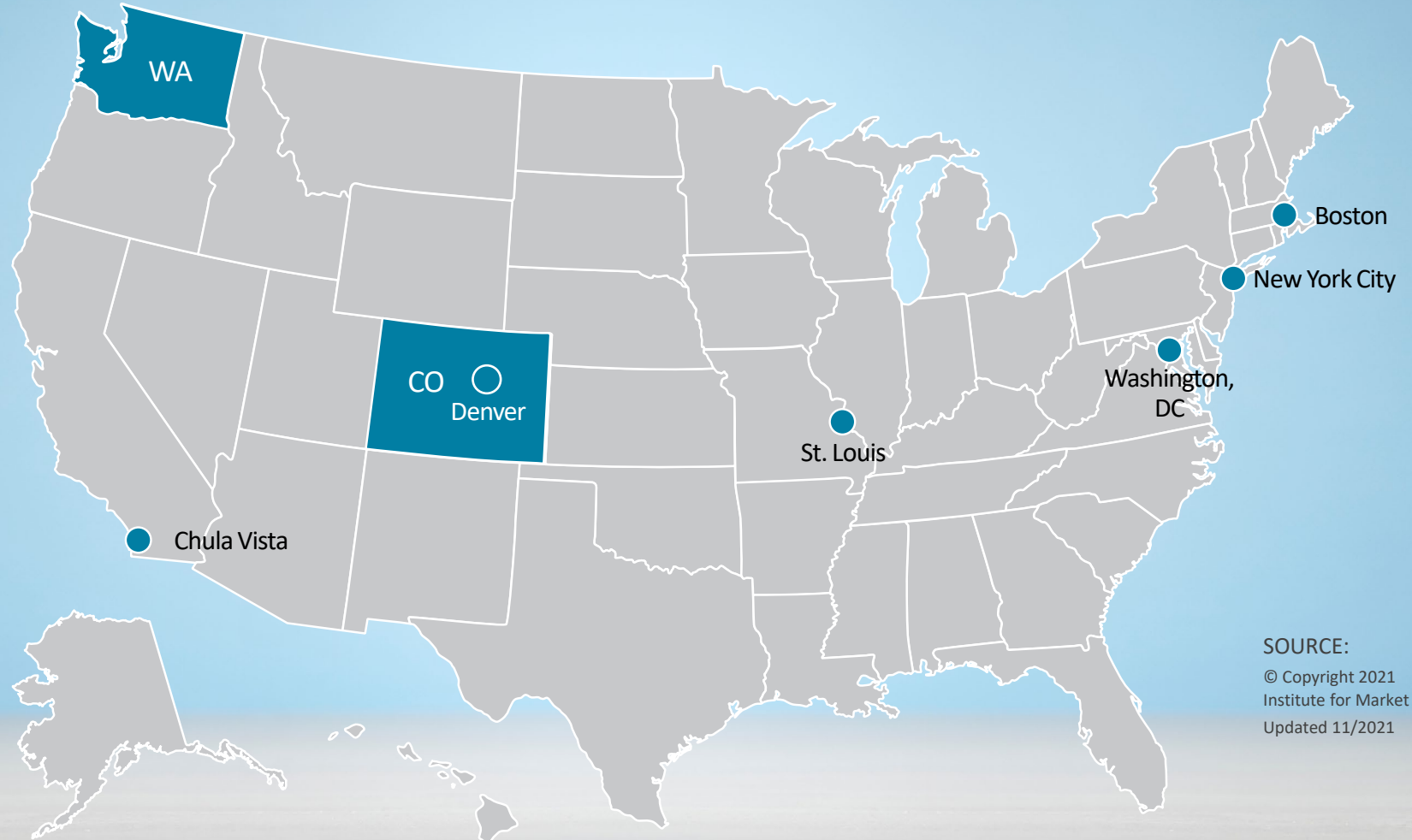
Assets

Regulatory

BPS Coalition

The National Building Performance Standards Coalition (BPS) is a nationwide group of state and local governments that have committed to design and implement equitable building performance standards, working to advance legislation and/or regulation by Earth Day 2024.

U.S. EXISTING BUILDINGS: Building Performance Standards



SOURCE:

© Copyright 2021
Institute for Market Transformation
Updated 11/2021

Assets

Regulatory

- Benchmarking required for public and commercial buildings
- Benchmarking and additional actions required for public and commercial buildings
- Benchmarking required for public, commercial and multifamily buildings
- Benchmarking and additional actions required for public, commercial and multifamily buildings

**U.S. EXISTING BUILDINGS:
Benchmarking, Transparency and Beyond**



SOURCE:
© Copyright 2021
Institute for Market Transformation
Updated 11/2021

Federal

Regulatory

SEC

The Securities and Exchange Commission (SEC) new 2022 rules propose to generally require both foreign and domestic registrants to disclose new climate-related information:

- Attested Scope 1 and 2 GHG emissions
- Scope 3 GHG emissions and the intensity, if material, or if registrant has set a GHG emissions reduction target or goal that includes Scope 3
- An issuer's internal carbon price if developed and used
- Information relating to climate risks and the registrant's processes for identifying and responding to such risks



Science Based

Reduction Targets

Path Forward

Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions – helping prevent the worst impacts of climate change and future-proof business growth.



ALIGNED with what the latest climate science for meeting goals of Paris Agreement: limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

SCIENCE-BASED TARGETS

A new survey* of SBTi companies confirms that science-based targets are good for business, as reported by their executives. Below are six benefits a company can expect to see from setting a science-based targets:

Brand Reputation

79% increase

Investor Confidence

52% increase

Regulatory Resilience

35% increase

Innovation

63% increase

Bottom-Line Savings

29% increase

Competitive Advantage

55% increase

* YouGov survey of 185 company executives from SBTi committed businesses

Decarbonization

Corporations

Carbon Reduction

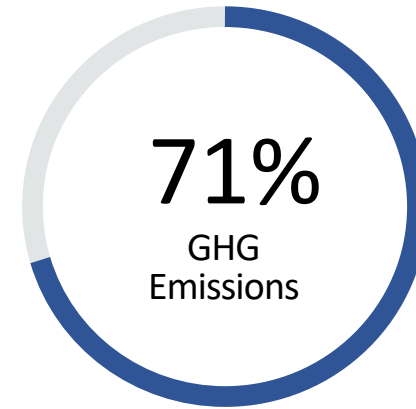
Commitments

- By fall 2021, more than 1,000 companies worth about \$23 trillion set emission reduction goals that align with the Paris Agreement
- Many large global institutional commercial real estate organizations are now addressing their commitments to climate action, documented in 10-K filing
- Dozens of other smaller ownerships and most major real estate service firms have made similar commitments

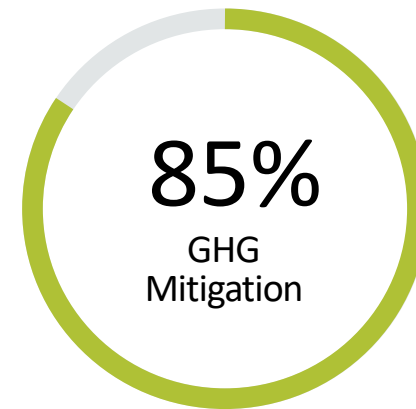
ULI Greenprint

25 member companies now committed to net zero carbon emissions by 2050, which represents more than:

- \$917 billion AUM
- 1.7 billion SF (161 million SM)
- 6,700 properties across 20 countries



100 Global Firms



Real Estate Firms
Filing 10-K



Net Zero = When a company reduces absolute emissions across its whole supply chain to suppress global temperature increase to 1.5° C

10-K Filing = Report filed annually by a publicly traded company about its financial performance (SEC required)

ULI Greenprint = Global organization of RE owners committed to reducing GHG emissions 50% 2050

AUM = Assets under management

New York City

Regulatory

Climate Mobilization Act

Local Law 97

- Passed by City Council in April 2019 as part of Green New Deal
- Requires most buildings over 25,000 SF (or two or more exceeding 50,000 SF on same lot) to meet new energy-efficiency and GHG emission limits by 2024

GOAL: Reduce emissions produced by city's largest buildings

- ☑ 40% by 2030
- ☑ 80% by 2050

RATIONALE

Large percentage of commercial buildings date to 1970s, but will remain standing in 2050 – when many governments aim to achieve net-zero carbon targets.

INFLUENCE

New York is the first city to require large-scale commercial buildings to not only report on but develop & implement a plan to achieve carbon neutrality within a specified time. Local Law 97 is expected to become a model.



Scopes

Definition

CLIMATE RISK

in the Corporate Value Chain

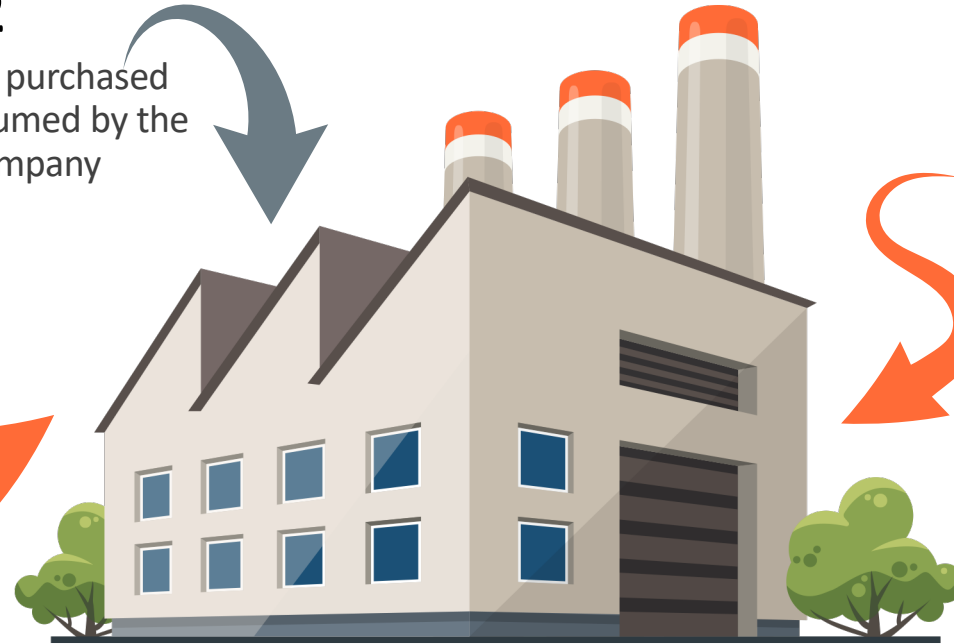
SCOPE 2

Emissions of purchased energy consumed by the reporting company

SCOPE 3

Upstream Emissions

- Purchased goods
- Capital goods
- Fuel & energy related activities
- Transportation and distribution
- Waste generated in operations
- Business travel
- Employee commuting
- Leased assets



Reporting Company's Facilities

SCOPE 1

Emissions from sources directly owned by the reporting company

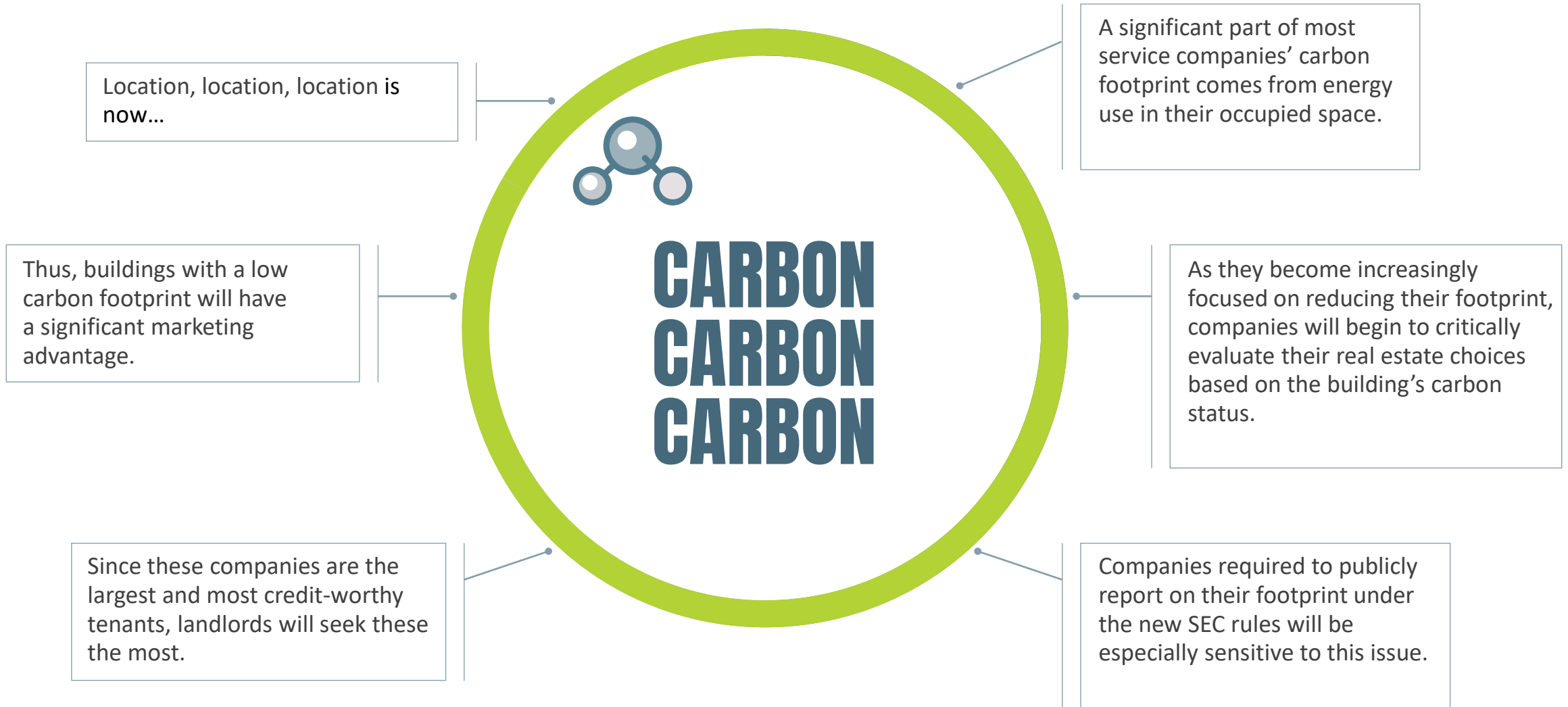
SCOPE 3

Downstream Emissions

- Transportation and distribution
- Processing of sold products
- End-of-life treatment of sold products
- Leased assets
- Franchises
- Investments

Corporations

Carbon Reduction



Resilience

Impact

Catalyzing Events

How smoke from California wildfires turns the sky red

Los Angeles Times, Sept. 15, 2020



Resilience

Definition

Strategic:

Future-proofing real estate
for owners, investors, managers
and tenants/occupants



Drivers

Motivating Factors

1

SCIENCE-BASED EVIDENCE

Evidence for the impacts of climate change and the urgency for climate action is now stronger than ever

2

INVESTOR DEMAND

Climate risk disclosure is a high priority for institutional investors

3

REGULATORY PRESSURE

Climate risk disclosure mandates have begun to go into force in leading markets

4

OCCUPANT EXPECTATIONS

Tenant expectations that facilities to be resilience to climate shocks

5

WEATHER-RELATED LOSSES

Climate-related events are driving broad and significant losses

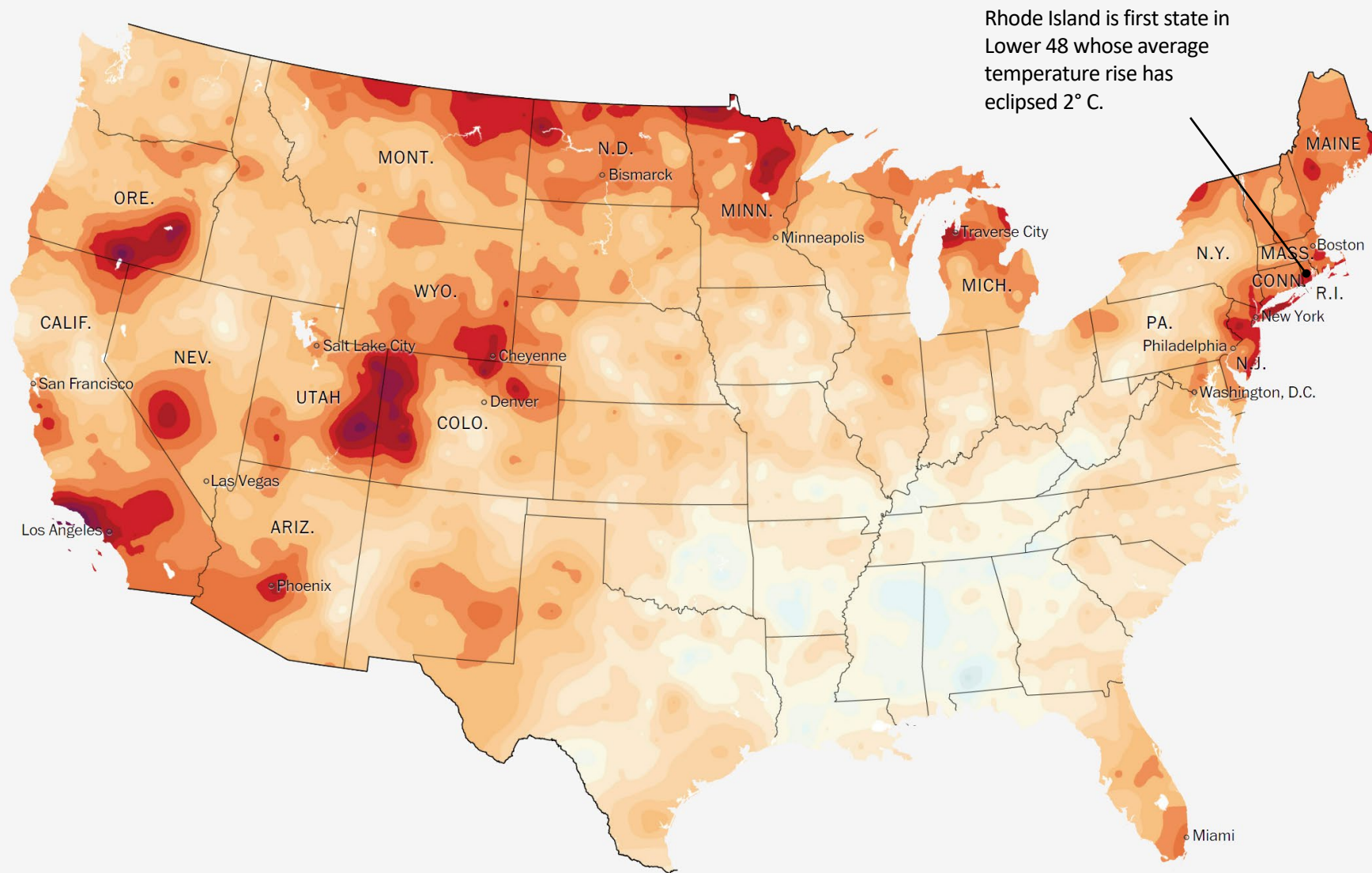
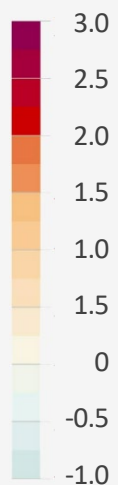
Urgency

U.S. View

Heat Map

An analysis of National Oceanic and Atmospheric Administration temperature data across 3,107 counties found that major areas are nearing or have already crossed the 2° C mark.

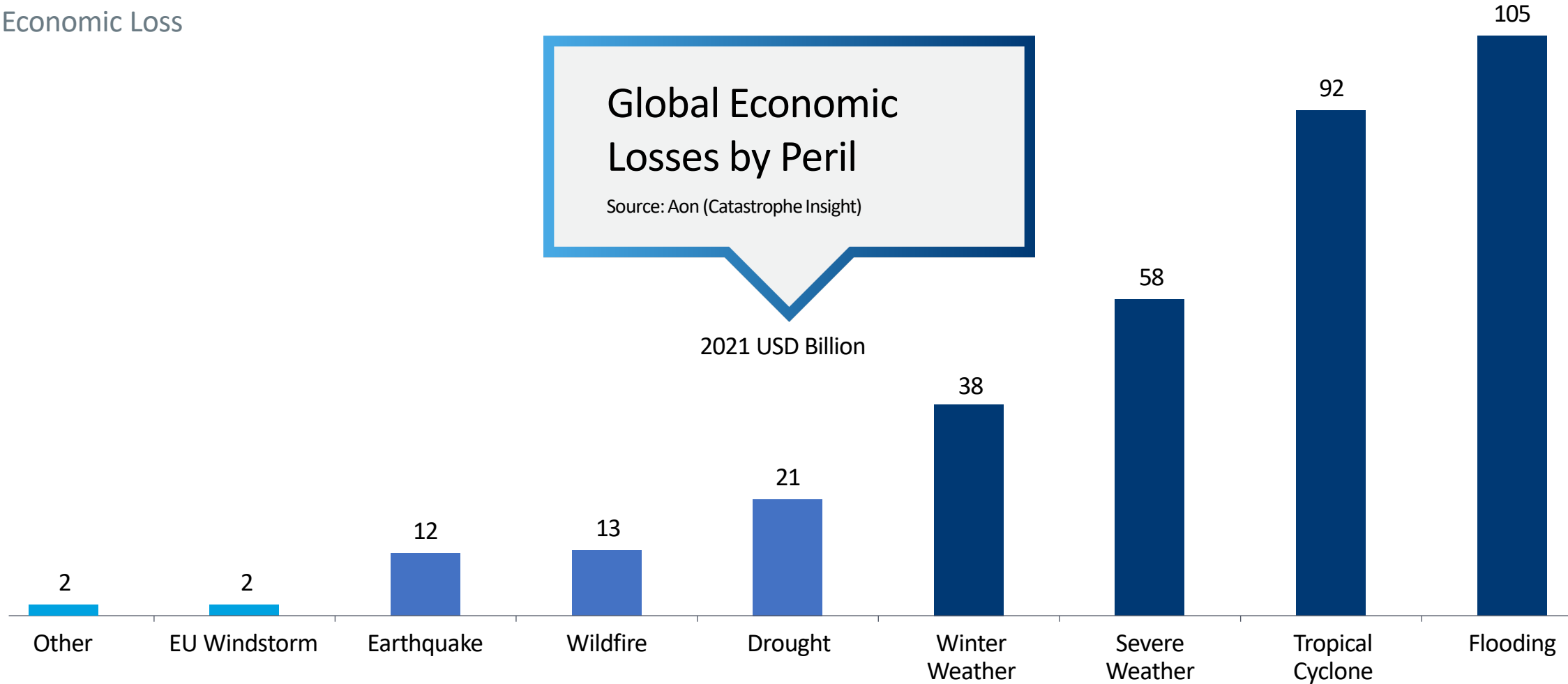
1865-2018 (C°)



Source: NOAA 2019 (does not provide data for Alaska or Hawaii for this time period)

Impact

Economic Loss



Resilience

Impact

2021 Major Events

< US \$1 Billion

- Tropical Cyclone
- Severe Weather
- Flooding
- Wildfire
- Drought
- Earthquake



Source: Aon (Catastrophe Insight)

GRESB

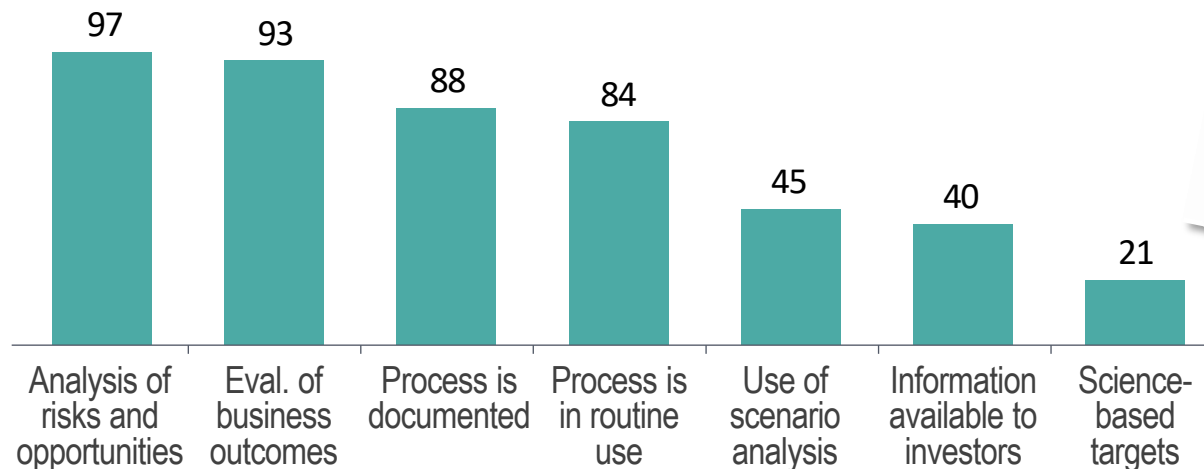
ESG Performance

Priorities

According to GRESB, the most concerning ESG issue in the next 5-10 years is Climate Change/Resilience & Adaption/ TCFD Implementation

Resilience Module

- 316 real estate and infrastructure entities participated
- **POSTIVE NOTE:** Discontinued in 2021, since most useful elements were incorporated into the GRESB Real Estate and Infrastructure Assessments.



316 real estate and infrastructure entities participated in the Resilience Module



GRESB = Provides validated ESG performance data and peer benchmarks for investors and managers to improve business intelligence, industry engagement and decision-making.

Benefit: Helps investors make better ESG-related decisions

TCFD = Increases the clarity, relevance and use of climate-related information in organizational disclosures so financial markets can have more sustainable and resilient investment options.

Benefit: Brings greater clarity to climate-based disclosures, helping to influence markets



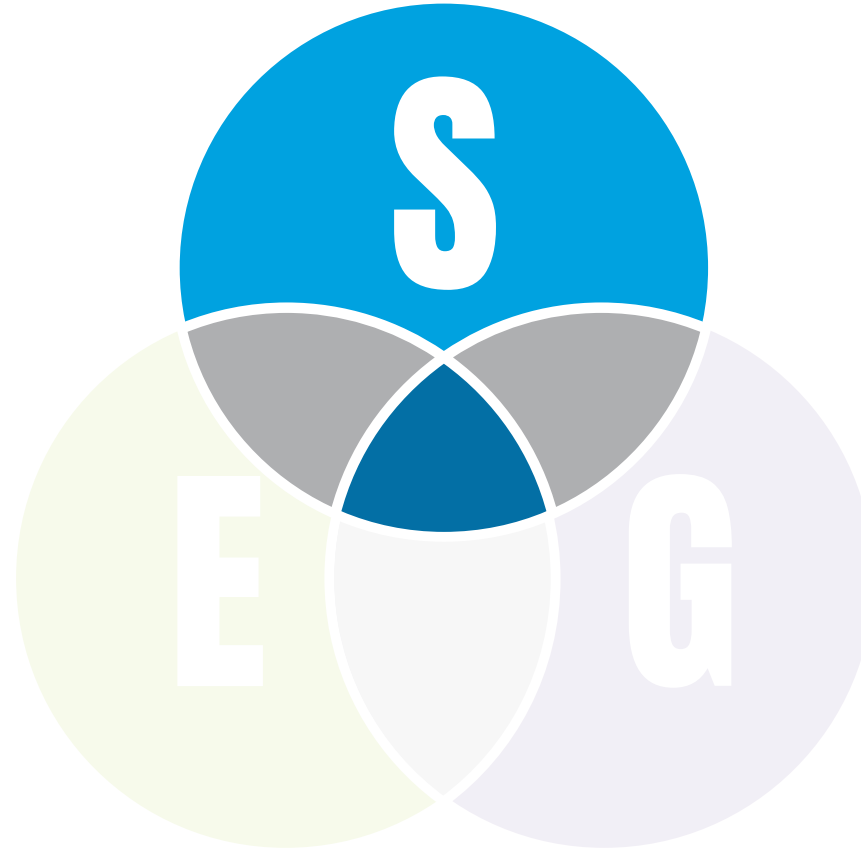
ESG Paradigm

Rise of Social



Social Capital

- Trust & reputation, responsible tax policy, community relations
- Access to basic products and services (fuel, water, sanitation, communications), affordability
- Management of ageing population, urbanization, DEI



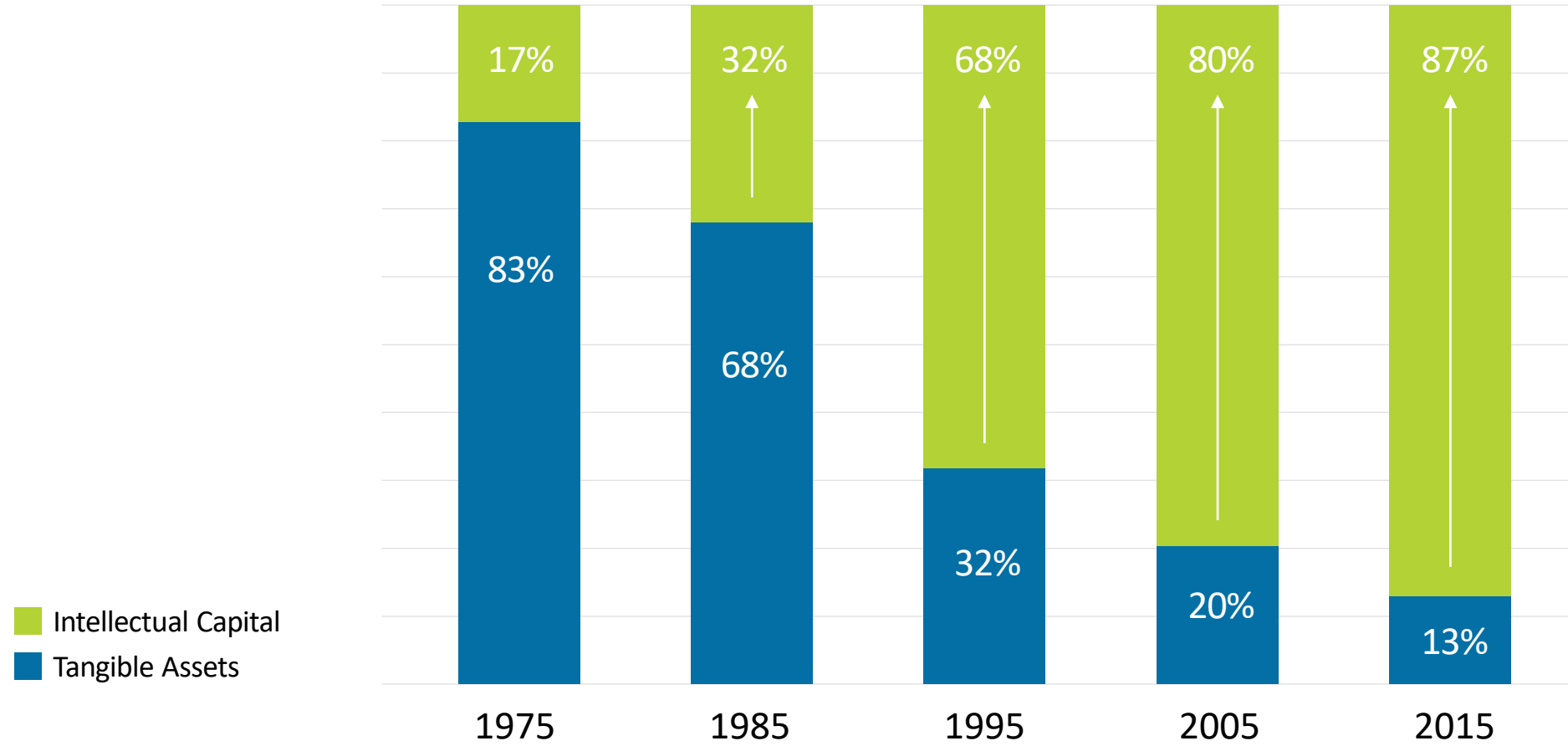
Human Capital

- Healthy and safe workplace that promotes employee well-being
- Training & education opportunities
- Resilient workforce (attraction, selection, retention)
- Privacy, security, freedom of expression

Health & Wellness

Shift in Value

S&P 500 Companies



Social

Healthy Buildings

Certifications



WELL

Performance-based system for measuring, certifying and monitoring features of the built environment that impact human health and well-being through air, water, nourishment, light, fitness, comfort and mind.



Fitwel

Provides tailored scorecards for existing and new buildings and sites to optimize the unique opportunities for every project – whether it's a single-floor buildout or large-scale development.



Reset Standard

Data quality standard designed for continuous monitoring of sensors in the built environment; outlines the requirements for the deployment of monitors, collection of data and reporting of results.



LEED Indoor Air Quality (IAQ)

Verifies acceptable IAQ in newly constructed or renovated buildings by either flushing the building with outdoor air or conducting baseline IAQ testing after construction and before occupancy. Testing is done to meet the minimum indoor air quality performance LEED prerequisite and enhanced indoor air quality strategies credit.

Social

Reporting

Now Trending



HKEX

The Stock Exchange of Hong Kong has released mandatory ESG reporting requirements for four environmental and...
8 Social Factors



SEC

Multiple bills are pushing the U.S. Securities & Exchange Commission to expand human capital management reporting to support...
Worker Well-Being



European Union

The “EU Social Taxonomy” is in the process of setting a global standard for socially beneficial investments that reinforce norms impacting...
Social Issues

**Inclusion is not only a social imperative
but the key to growth.**

What Is It?

Definition

Workplace Diversity



An organization that reflects the society in which it operates by hiring individuals of different races, ethnicities, genders, ages, religions, disabilities and sexual orientation...

as well as diverse experiences, education, skill sets, beliefs and personalities.

Reflection



Workplace Equity



A workplace that gives everyone access to the same opportunities. Equity eliminates barriers and levels the playing field.

Access

Workplace Inclusion



A workplace where all employees are given equal opportunity – to be heard, to participate and contribute.

Participation

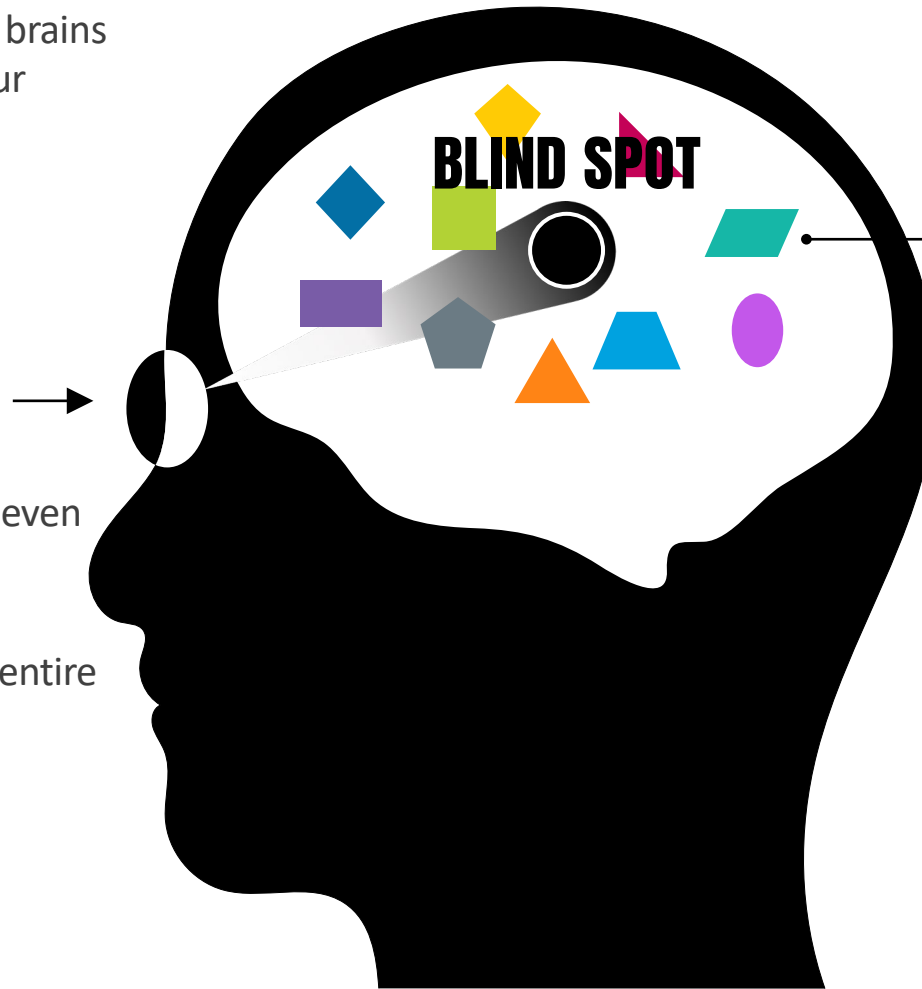
What Is It?

Definition

Unconscious Bias

Unconscious (or hidden) biases are bits of knowledge about social groups stored in our brains because we encounter them so frequently in our cultural environments.

- Influence our behavior toward members of particular social groups
- Oblivious to their influence
- Social conditioning at an early age and over time creates **BLIND SPOTS**
 - ◐ Hides both discrimination and privilege, making recognition and change even harder to achieve
 - ◐ Exists within the process from start to finish – thus, crucial that we disrupt the entire process



Studies show that 80-99% of the brain works unconsciously based on memory.*

Interrupting those continuous loops is the key.

REFERENCES

* Eric Kandel, Ph.D., Neuroscience Dept., Columbia University; Nobel Prize
Anthony Greenwald, Ph.D. Harvard; 1994 University of Washington

**Diverse workforces drive
financial progress.**

Why It Matters

Business Case

McKinsey & Company

A 2020 McKinsey research project looked at more than 1,000 larger companies in 15 countries and found:

- Companies in the top quartile for gender diversity on executive teams were 25% more likely to have **above-average profitability**.
- Leadership teams with more ethnically diverse leadership performed 36% higher than 2017.
- The most gender diverse leadership teams in companies were **48% higher in diversity** than the least gender diverse leadership team companies.

Priority

DEI is now a priority in commercial real estate.

- 92% of CRE firms globally have a DEI program or initiatives to improve DEI as of 2021.
- 47% of those firms have a formal DEI program.
- 45% of those firms have DEI initiatives and policies to improve diversity, equity and inclusion in the workplace.

Challenges

Gender and ethnic imbalance remains a problem.

- In North America, men represent 59% of all FTEs vs. 41% for women.
- While women represent more than 50% of FTEs at the junior level, the representation diminishes to under 25% at the executive level.
- The gap between male and female employees widens as professionals progress through their careers to executive management and board level positions.
- While professionals of color represent 29% of FTEs, representation diminishes to less than 10% at the executive level.

**Diversity helps businesses align
with their communities.**

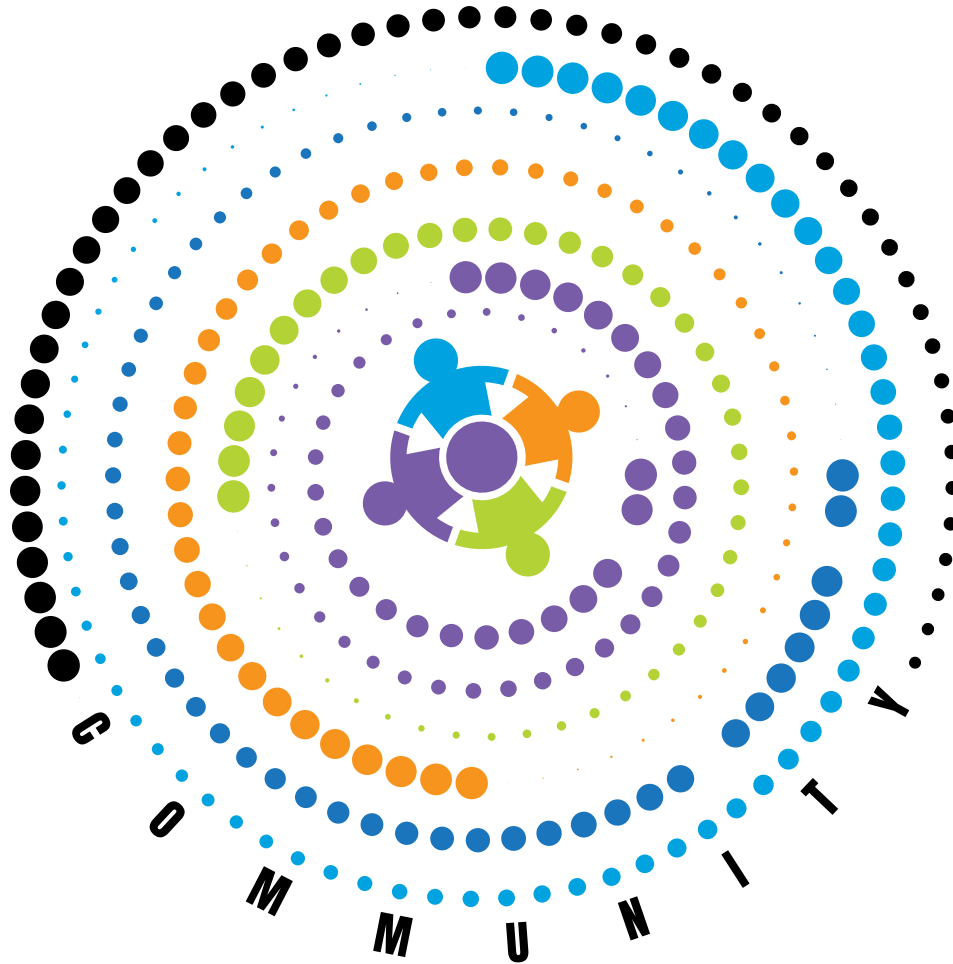
Supplier Diversity

Taking Initiative

Requirements

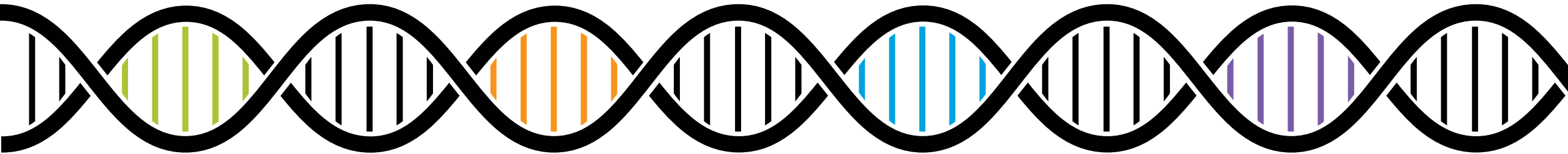
Supplier diversity is arguably the most sophisticated aspect of ESG.

- There is a cost to doing good.
- Cost is balanced against ROI for a sustainable entity.



For more information, visit:

WWW.BOMI.ORG/ESG



Decarbonization

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