



The journey to sustainable buildings: Real estate and facility management professionals share key drivers for investing in ESG technology

Research & Survey Results

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Introduction

With 83% of consumers believing companies should be actively shaping environmental, social and governance (ESG) best practices, consumers are increasingly looking to brands and businesses to demonstrate their ESG credentials. Those credentials have now been formalised with the introduction of ESG regulations in many countries, including the United Kingdom, the United States and across Europe. ESG commitments are now a priority for businesses across many industries, but many are still at the first stage of their ESG journey, just starting to make the necessary changes to meet what is now expected.

In this landscape, we conducted research to understand where corporate real estate and workplace businesses are on their ESG journey, and what steps or support they need to build their ESG approach. We looked at where real estate investors, building owners and (integrated) facility management service providers currently stand and what ESG initiatives they already have in place. We also investigated how these have led to establishing targets and their performance against those targets. This includes a look into the plans that senior decision makers have put in place to hit further targets and what the next stage of their ESG framework is.

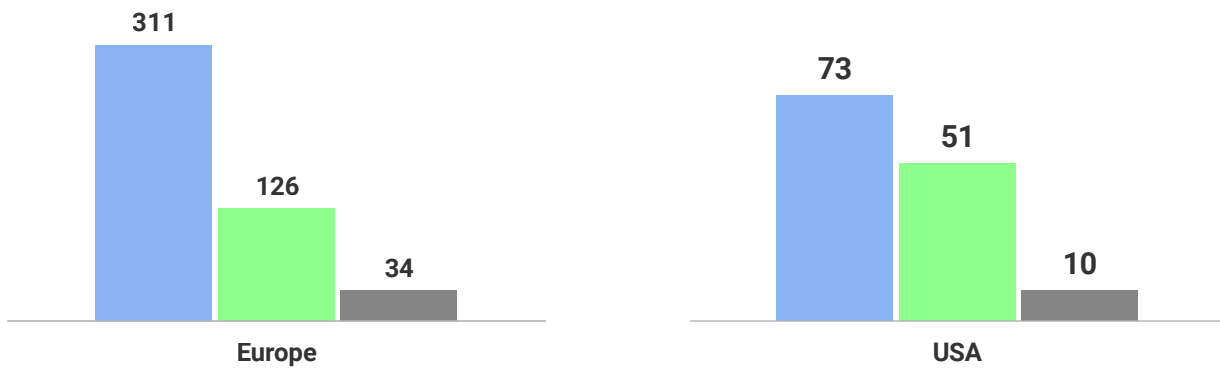
This report will also delve into the importance building owners and users place on building and workplace technology, what features they currently have as well as the new features needed to help achieve their ESG targets – outlining the role smart technology is currently playing and how this is set to develop in the future.



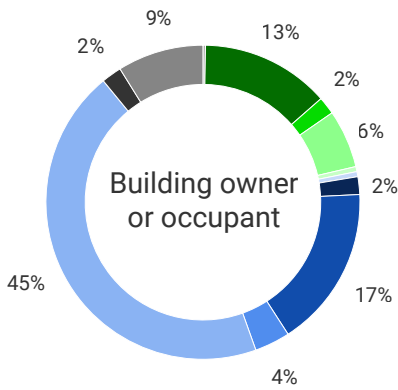
Survey methodology

Planon conducted research into the ESG work of 605 real estate investors, building owners and occupiers, and service providers. Research took place in April 2022 with respondents in 12 countries: Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and the United States.

Respondent type

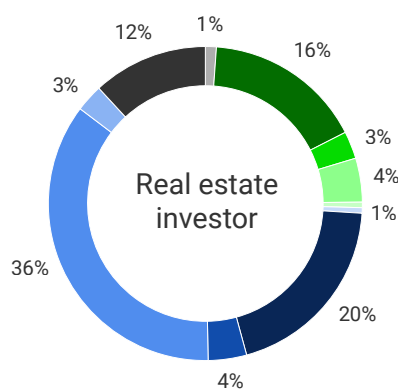


Building owner or occupant



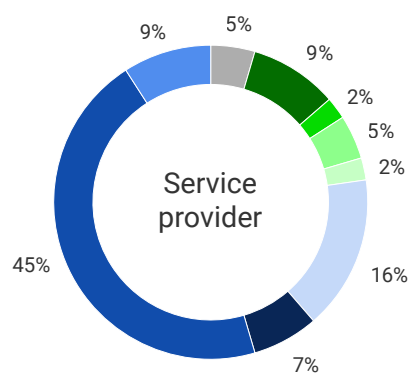
- Chief Digital Officer
- Chief Executive Officer
- Chief Innovation Officer
- Chief Operation Officer
- Chief Product Officer
- Chief Sustainability Officer
- Chief Technology Officer
- Director
- Individual contributor
- Manager
- SVP
- VP

Real estate investor



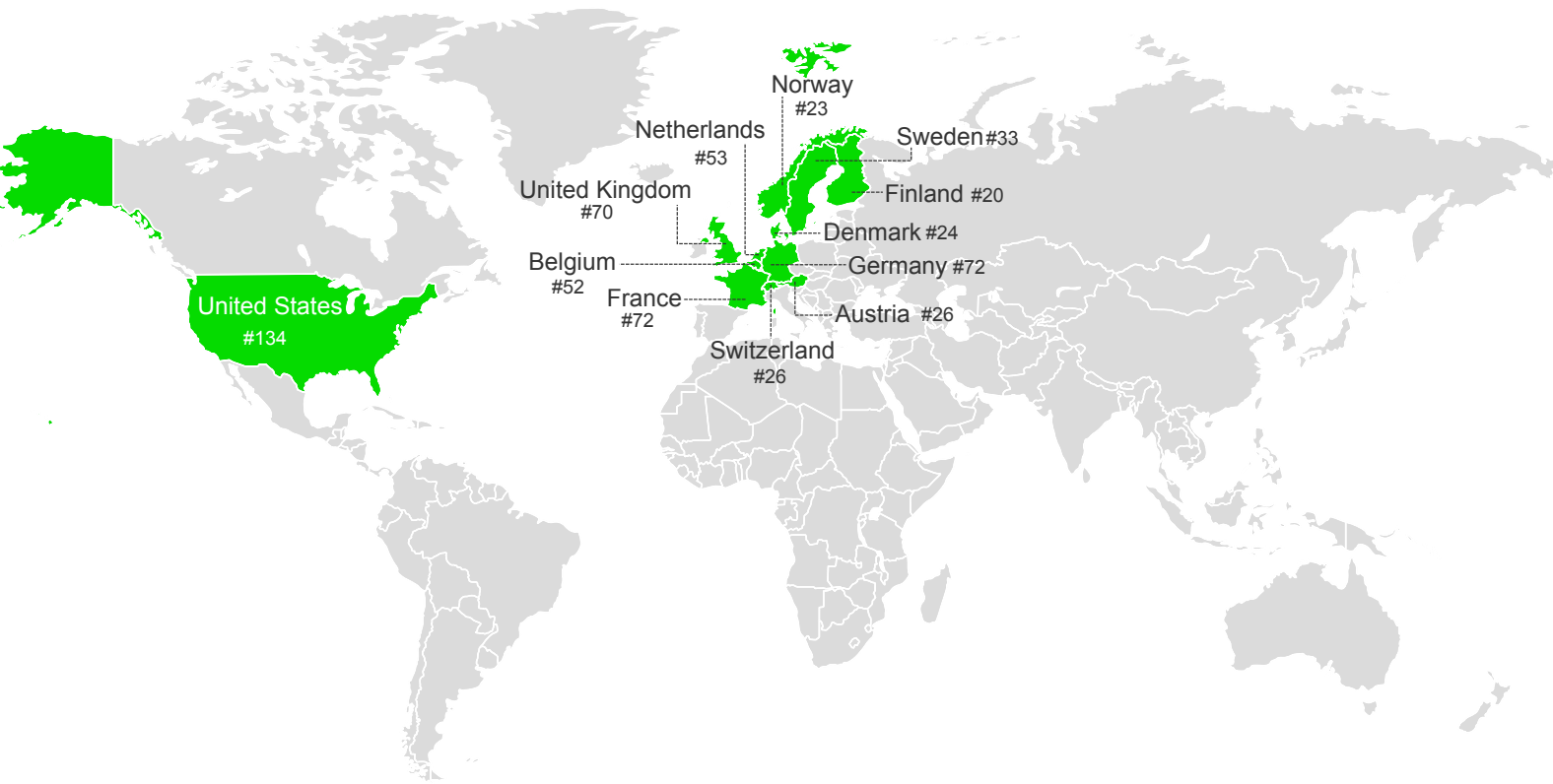
- Chief Digital Officer
- Chief Executive Officer
- Chief Innovation Officer
- Chief Operation Officer
- Chief Product Officer
- Chief Sustainability Officer
- Director
- Individual contributor
- Manager
- SVP
- VP

Service provider



- Chief Executive Officer
- Chief Operation Officer
- Chief Strategy Officer
- Chief Sustainability Officer
- Chief Technology Officer
- Director
- Individual contributor
- Manager
- SVP
- VP

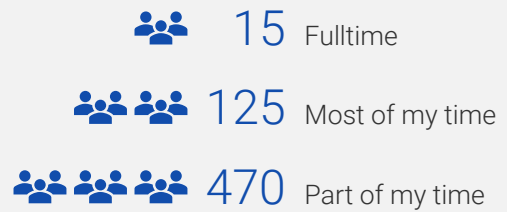
Total number of respondents: 605



How much time does ESG take in an executives day?

ESG has been a growing area of focus over recent years and following the introduction of ESG regulation this has accelerated. So much so that more than **20%** of survey respondents stated they spend 'most of their time' helping their company to reach its ESG goals.

Time that executives spend focused on ESG

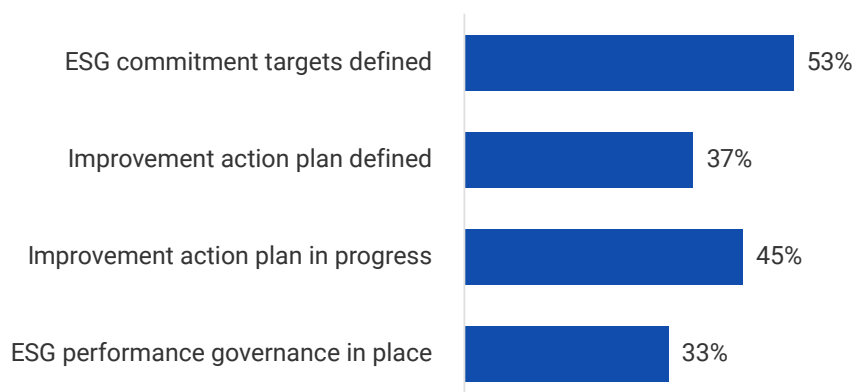


Current level of ESG maturity

While the intention to work towards their ESG goals is there, for many businesses the path towards those goals is less clear. Based on survey results, there appears to be a clear understanding of the need and demand for an ESG framework. However there is less knowledge around how to expand on the framework, implement their plans or the benefits that come with ESG maturity.

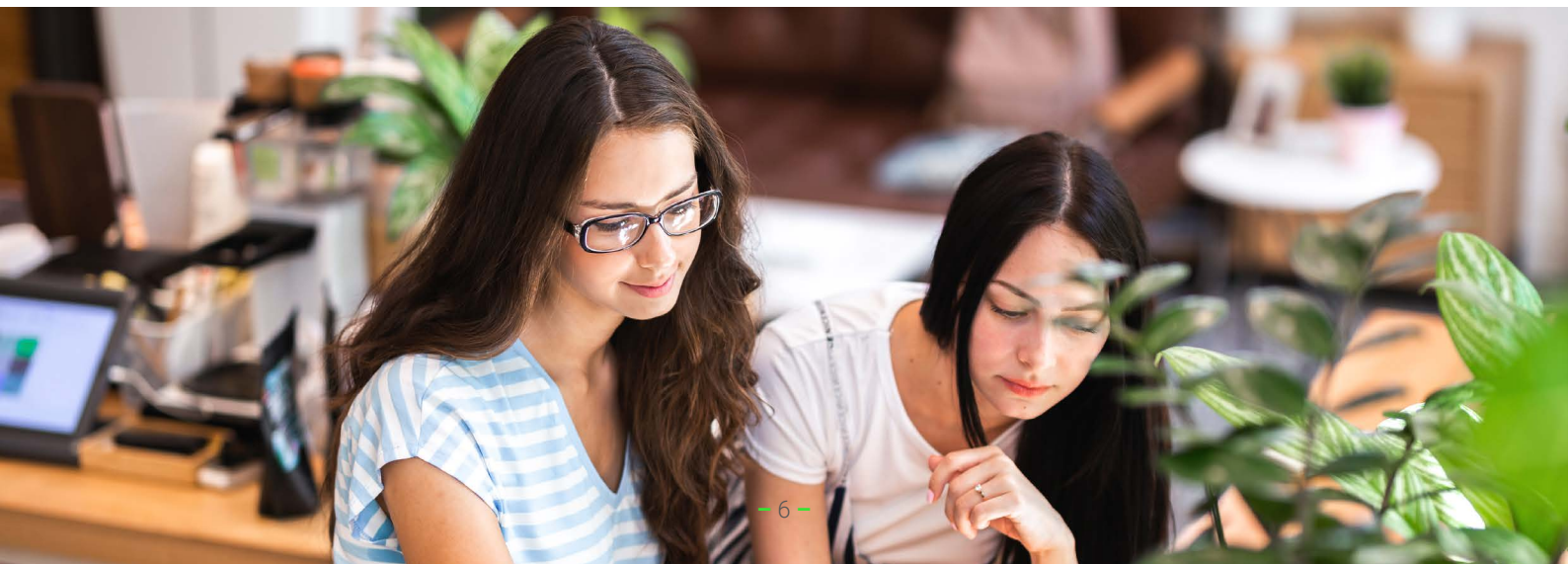
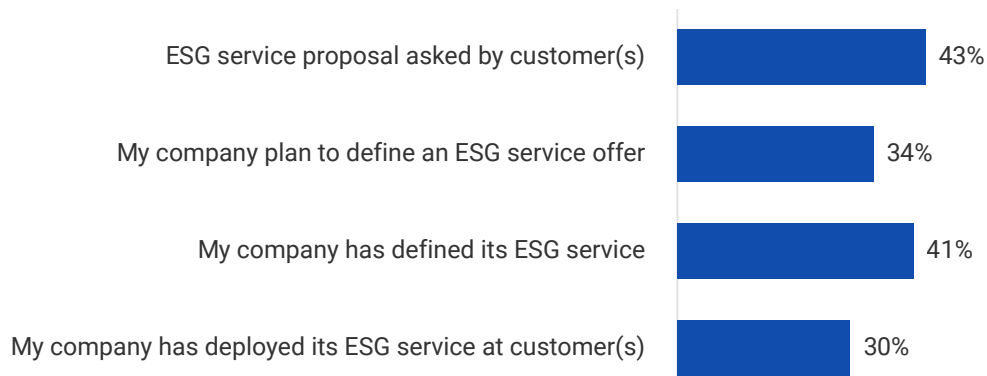
ESG Maturity of building occupiers and real estate investors

(Survey respondents were able to select more than 1 answer)



ESG Maturity of service providers

(Survey respondents were able to select more than 1 answer)



Key findings

- While 53% of businesses have defined ESG commitment targets, just 33% have an ESG performance governance plan in place, which highlights that many businesses are still struggling to actually achieve the targets they are setting.
- Both building owners and real estate investors are in similar positions on their ESG journey, with about 45% stating they 'have an improvement action plan in progress'. Service providers show a similar pattern, with 41% of respondents stating they 'have a company ESG service defined'.
- Notably, 43% of service providers responded that they have been asked for an ESG proposal by their customers.



53% of businesses have defined ESG commitment targets but only **33%** have an ESG performance governance plan in place.

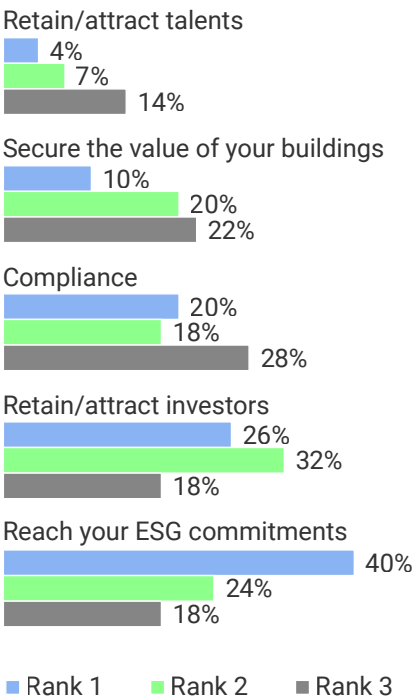


Drivers of ESG initiatives

The research shows that 88% of all publicly traded businesses have ESG initiatives in place, and that spending on ESG is on the rise, but the reasons behind each demographic’s ESG drivers are very different.

We asked respondents to rank their top drivers for ESG initiatives. Below you can see the results sorted per demographic: real estate investors, building owner/occupiers, and service providers.

Drivers guiding real estate investors ESG initiatives

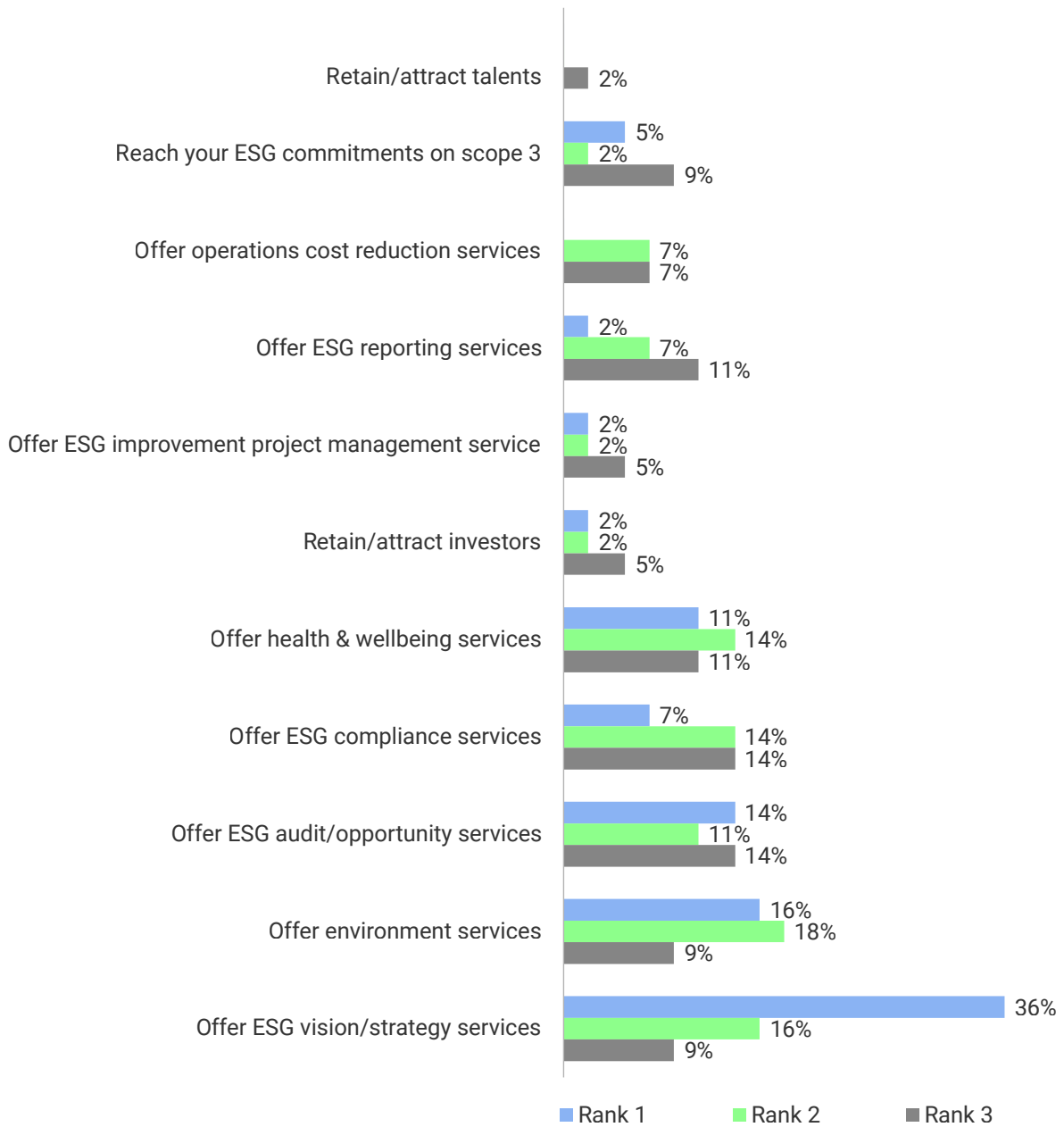


Drivers guiding building occupiers ESG initiatives



Notably, both real estate investors and building owners/occupiers ranked ‘Reach ESG commitments’ and ‘Compliance’ within their top three drivers, however investors included ‘Retain/attract investors’ in their highest selections, for building occupiers it was ‘increase your employees’ productivity’. The study also showed that both real estate investors and building owners/occupiers were mainly driven by internal company priority (41% and 43% respectively) or by the current political landscape. Both demographics showed that they felt less pressure from their customers, or prospects, with just 22% of building owners and 23% of real estate investors stating that as a driver.

Drivers guiding service providers' ESG initiatives



The top driver for service provider initiatives is clearly focused on offering ESG services to customers, with 'offer ESG vision/strategy services' ranked number one most often (36% of the time), followed by 'offer environment services' (16%).

This confirms that most companies understand the importance of addressing ESG, but are seeking guidance on how to frame their strategy. Service providers should view this as an opportunity to develop ESG strategy services to support their customers on this journey.

Key findings

- **40%** of real estate investors from this survey ranked 'reach ESG commitments' as the number one driver for their ESG initiatives.
- **32%** of building owners/occupiers ranked 'compliance' as the number one reason behind their drive towards ESG commitments.
- **36%** of service providers ranked 'offer ESG vision/strategy services' as their number one driver for ESG initiatives which is highlighting their focus to support their customers on ESG.

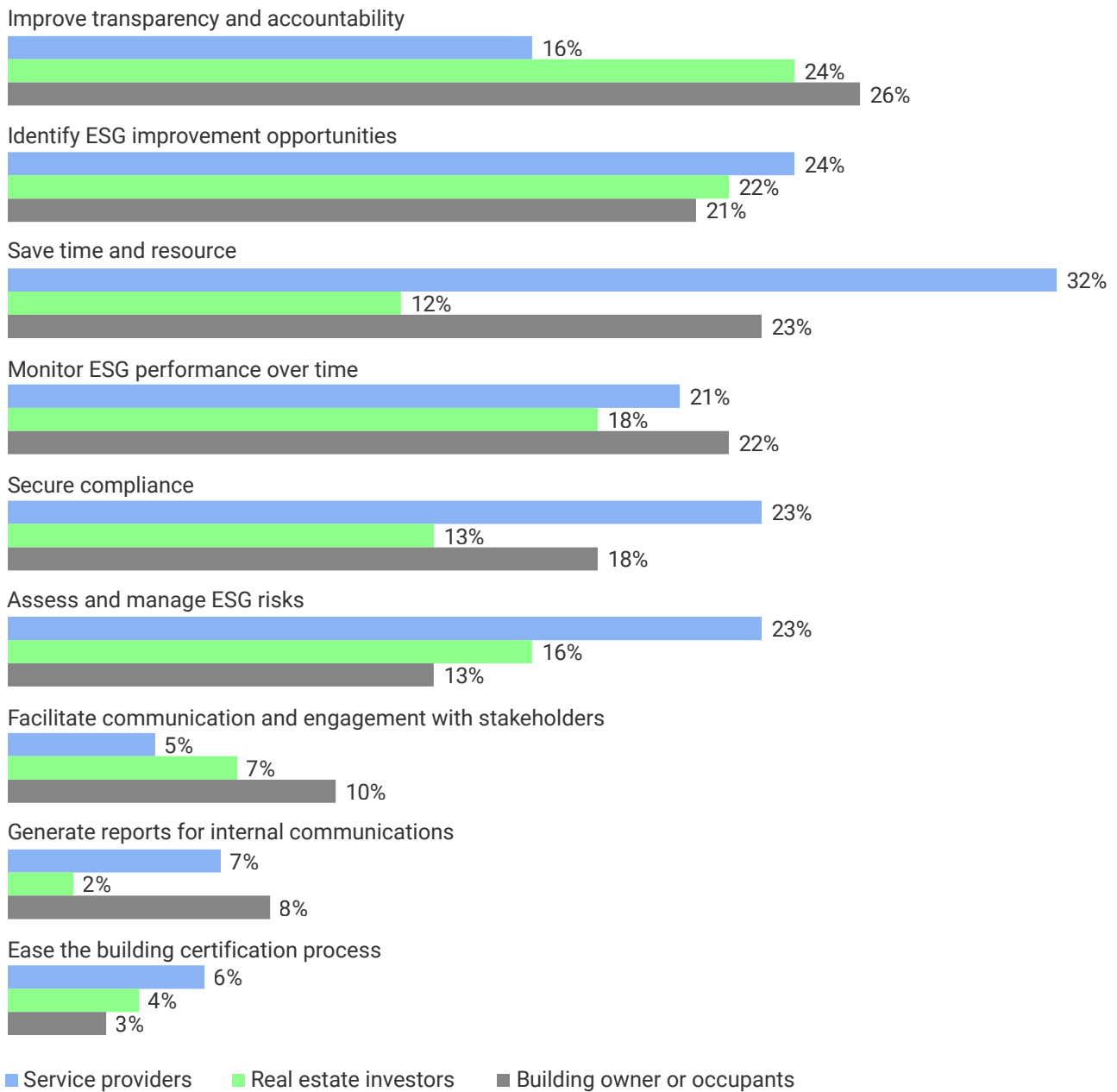


Top drivers of ESG-related software purchases

Some organisations have implemented ESG-related software to help them on their ESG journey. Many more are evaluating the options on the market. Within this research, we found that there were interesting similarities and notable differences between real estate investors, owners/occupiers, and service providers when it comes to the main reasons behind buying ESG-related software.

ESG software buying drivers

(Survey respondents were able to choose up to 3 key drivers)





Key findings

- For building owners/occupiers the number one selected reason for buying ESG-related software is 'improving transparency and accountability' (26%). 'Save time and resources' (23%) was the second most important reason chosen by owners/occupiers.
- For service providers the main reason for buying ESG-related software is to 'save time and resources' (32%).
- Real estate investors selected 'improve transparency and accountability' (24%) as the number one reason for purchasing ESG-related software. They placed less importance on 'save time and resources' (12%) than the other personas.

Notably, all three persona types (owners/occupiers, real estate investors, service providers) placed similar importance on 'identifying ESG improvement opportunities' (21%, 22%, 24% respectively) and on 'monitoring ESG performance over time' (22%, 18%, 21% respectively) for reasons to buy ESG-related software.

These results show that companies are not only looking for help capturing and tracking data to improve transparency but are also looking for 'smart solutions' that will help to identify areas in which they can improve their performance. ESG is a complex, expansive topic, and businesses need guidance transforming data into insights so they can make proper decisions.

What are the #1 drivers for ESG

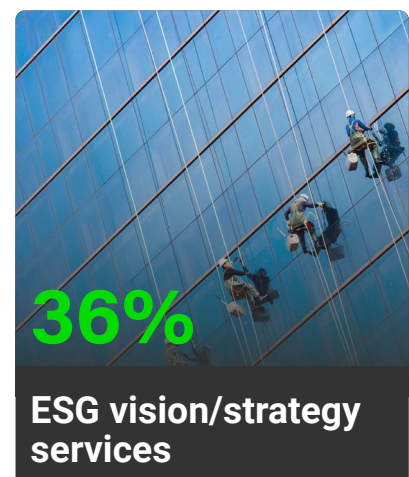
Real estate investors



Business owners/occupiers



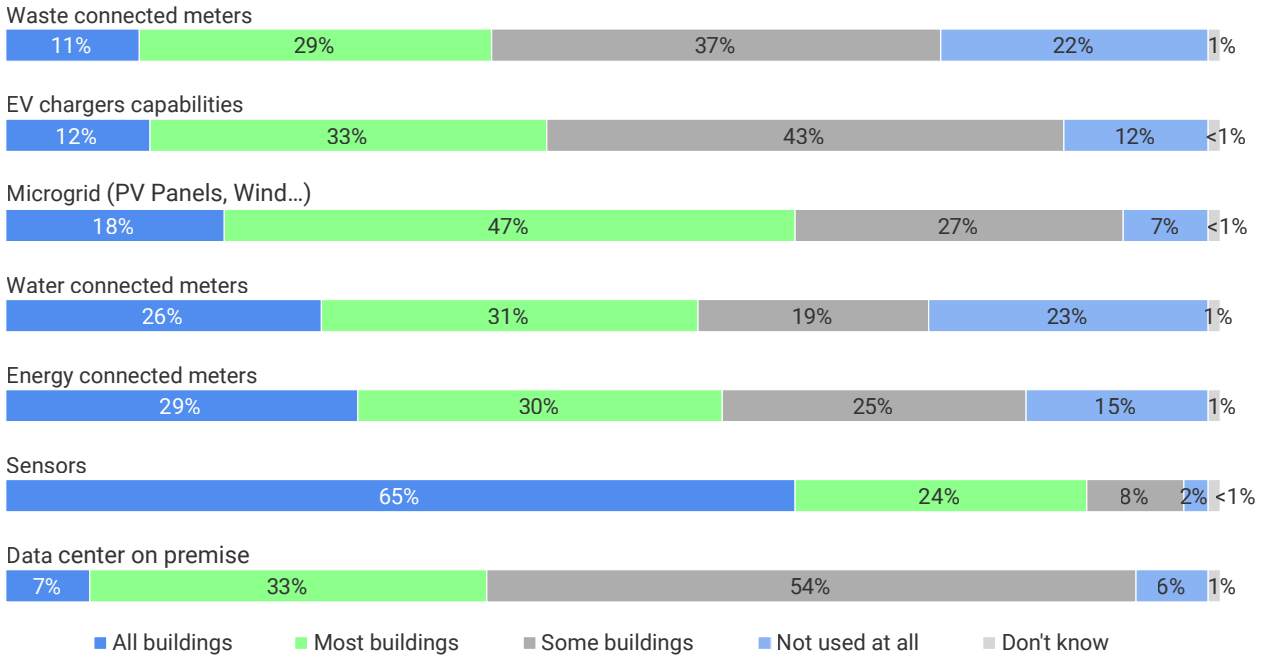
Service providers



Current and future technology landscape

In addition to gaining a better understanding of the reasons and drivers for ESG initiatives and ESG-related purchases, the data gathered from this research can also help to create a picture of what performance assets respondents are utilising in their buildings today to help them towards achieving their ESG goals. The results also indicate where investors, building owners and service providers are planning to invest in for the future.

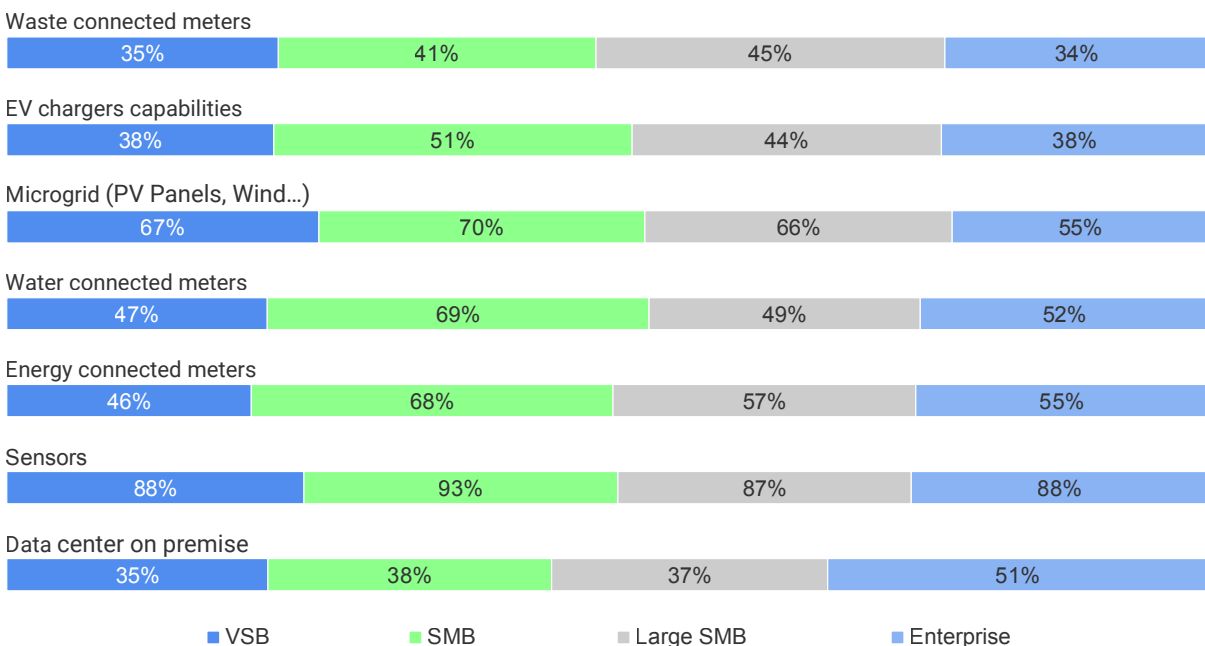
Hardware used in buildings portfolio



Zooming in on the results above, this chart shows which hardware is being used in all or most buildings depending on the size of the organisation, including enterprise-level, large SMB, SMB, and VSB.

Hardware used in all or most buildings

(Survey respondents were allowed to select multiple answers)



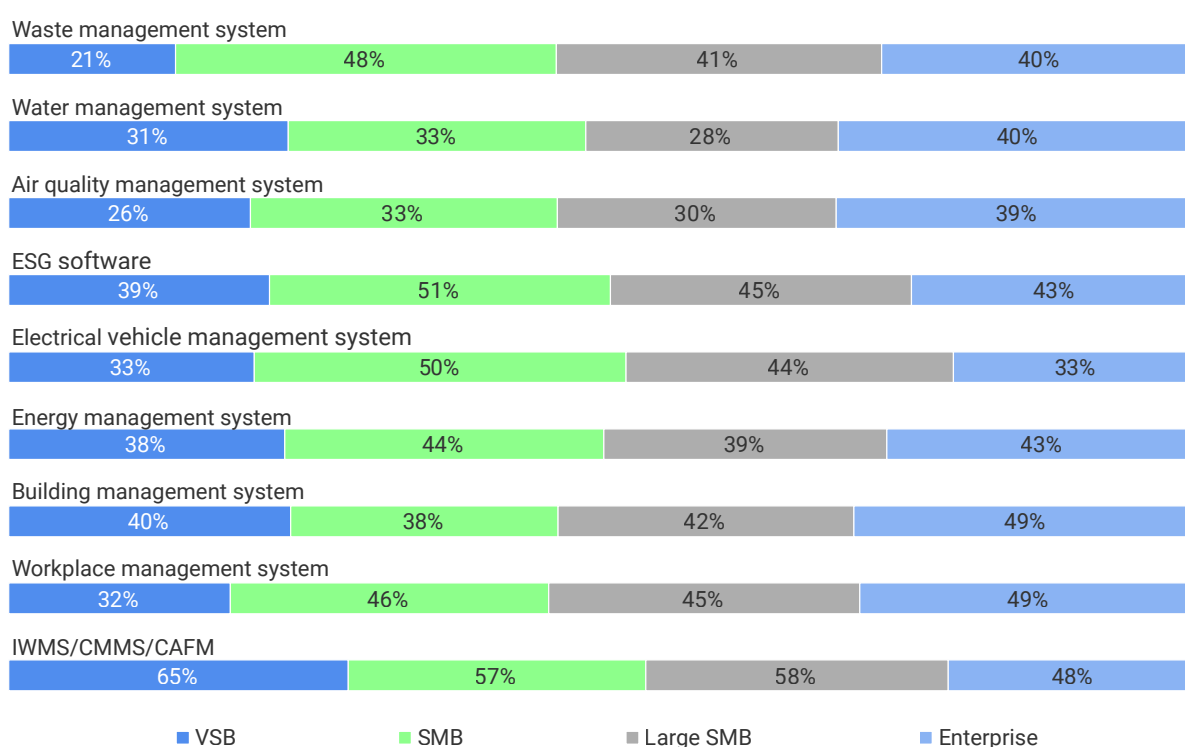
Key findings

- Most common piece of hardware used within businesses today appears to be sensors, with 97% of respondents having sensors in at least some of their buildings and 65% with sensors in all buildings.
- There is also a significant deployment of meters within buildings currently, with a majority of businesses having energy (59%) and water (57%) meters in all or most of their buildings – with only waste meters lagging behind (40%).
- **94%** of businesses have a data centre on premise for at least some their premises. This is likely centralised, as just 7% responded that they have a data centre in all their buildings.

It is also interesting to see that small to mid-size businesses (SMB) tend to have the highest percentage of hardware across all or most of their business, possibly because they have more resources available than very small businesses (VSB) and less ground to cover than larger businesses and enterprises.

This gives an impression of where businesses are currently on their ESG journeys and the technology they have already installed, but to understand where businesses are heading it's worth looking at what software and infrastructure they are planning to invest in for the future. In the chart below, you can see which software businesses are looking to start or increase investment in based on organisation size including enterprise-level, Large SMB, SMB, and VSB.

Software that will see the start or increase of investment based on company size



Key findings

- The most frequent area of software investment that respondents are looking towards is 'IWMS, CMMS and CAFM' with 57% of all businesses planning to either start investment or increase their investments within this area.
- 'IWMS, CMMS, CAFM' was the number one investment area for VSBs (65%), SMBs (57%) and large SMBs (58%). Only enterprise level businesses were more likely to invest in other areas, with 43% picking 'energy management systems' and 49% choosing 'workplace management systems,' which interestingly enough, are two major functionality areas of an IWMS.

Priorities & focus areas within the three ESG dimensions: Environmental, Social, Governance

In this research survey, respondents shared their priorities and focus areas for ESG features they would most likely use in their buildings across the three ESG dimensions. Here are the key findings:

Environmentally, the priority for over 70% of respondents is on 'resource efficiency', 'value and supply chain', and 'transportation'.

Within the social dimension, the priority for over 70% of respondents is on 'health & safety', and 'comfort'.

For governance priorities, the focus points were more spread across the board. The top priorities included 'compliance', 'carbon performance', 'project management' and 'disclosures'.

Notably, many businesses (48%) aren't planning on using or investing in booking systems, such as desk booking systems, in the short term (next 12 months). Instead, the results show that right now the business focus is on 'the foundations of the social dimension of health, safety and comfort.' This is an interesting discovery, as this indicates that many businesses may miss the potential to support their staff with digital workplace solutions that make it easier to find and check out equipment, book a desk or workspace for the day, or find a colleague, which is growing in importance due to the shift into a hybrid building culture.



97% of respondents have sensors in at least some of their buildings and 65% with sensors in all of them.

Commonly used ESG reporting frameworks

With the addition of ESG regulations, the results of this research indicated that transparency is key to ensuring that a company's insights, efforts, and analytics are correctly interpreted. Respondents indicated that they are using a wide variety of reporting frameworks. Though unsurprisingly the so called 'Group of Five' are the five most used:

- Carbon Disclosure Project (CDP)
- Climate Disclosure Standards Board (CDSB)
- Global Reporting Initiative (GRI)
- International Integrated Reporting Council (IIRC)
- Sustainability Accounting Standards Board (SASB)

On average, respondents indicated that their companies are using at least two reporting frameworks, and plan to add three new ones, showing a need for services that can offer high level reporting functionality. Big organisations are more inclined to report on ESG, with only 4% indicating that they are 'not reporting currently'. However, SMBs and VSBs aren't far behind. 90% of owners/occupiers indicated that they are 'already enacting ESG reports'.

Key findings

- **72%** of building owners or occupiers indicated that they are using 'standard reporting methods' to report or disclose their company's ESG performance. **19%** indicate that they are using a 'custom reporting framework' and **8%** indicate that they have 'no reporting framework in place'.
- More than **40%** of survey respondents indicated that they are either using, or expecting to use the Task Force on Climate-Related Financial Disclosures (TCFD), Corporate Sustainability Assessment (CSA), MSCI or Institutional Shareholder Services (ISS).



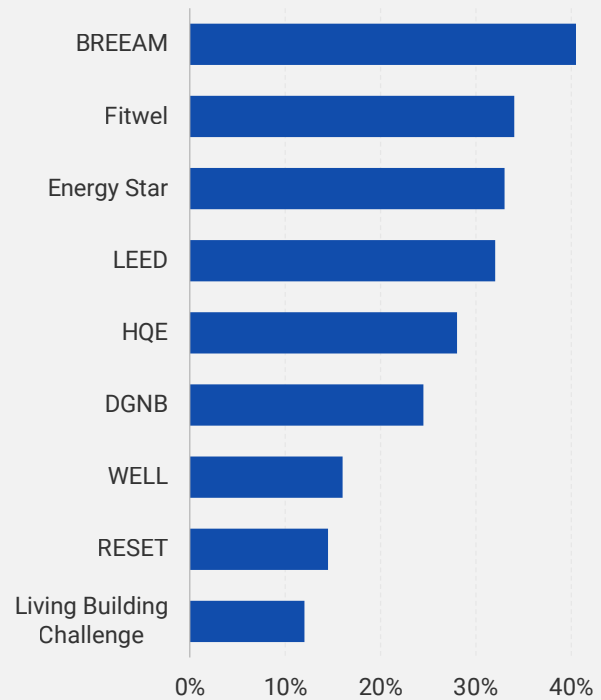


Certifications to watch

When looking at the ESG certification being used, or soon to be used, businesses favoured BREEAM, EnergyStar and LEED for the more energy focused certification and were drawn towards Fitwel and WELL for a social focus.

Which certifications are you or your organisation using or planning to use within the next year?

(Survey respondents were able to select as many answers as applicable)



90% of owners/occupiers indicated that they are already enacting ESG reports



Conclusion

The research shows that, although the drive towards ESG targets is growing, there is still some way to go for real estate investors, building owners and occupiers, and service providers to fully embrace ESG. The majority of companies have defined goals and targets, yet they still do not have a clear path towards reaching them. However, ESG spending is on the rise and while the driving factors behind each demographic may differ, there is a clear focus on 'hitting ESG commitments' and being able to 'offer ESG services to customers', as well as 'increasing transparency and accountability'.

This research shows that key areas of investment for businesses going forward are those targeting the environmental and social factors, especially in the areas of asset performance improvement, acoustic optimisation and tracking the carbon emissions of commuting.

Sensors and smart meters are already an integral part of company buildings, and there appears to be an increasing focus on intelligent workplace management systems. This indicates that the buildings of the future look set to be well equipped for tracking and more precisely monitoring a company's ESG outcomes.

To help achieve their ESG targets, companies need to focus on monitoring and reporting their ESG efforts. Investments in ESG have risen quickly and will likely continue to do so, however, it is more important than ever to be able to track and be transparent with results. Businesses should invest in systems that can provide detailed information on how their actual performance is measuring up against their ESG targets, allowing them to more accurately drive their ESG improvement plans and achieve real change.

Find out how you can take the next step on your ESG journey

Get in touch with one of our expert teams to understand how Planon's smart building management software can help drive your ESG initiatives at planonsoftware.com/uk/contact.



About Planon

Planon is the leading global provider of Smart Sustainable Building Management software that connects buildings, people and processes. By eliminating data silos and aligning solutions into one shared information platform, Planon provides all building stakeholders with actionable and meaningful insights. Independent market research and consulting firms have consistently rated Planon as a global leader in the market. Planon has implemented its comprehensive solutions for more than 2,500 clients, supported by offices and partners around the world.

For more information please visit us at planonsoftware.com