

ESG HUMAN RESOURCES- STUDY 2022

What effects does the topic of
ESG have on human resources
in the real estate sector

Guest articles from:

Mr. Prof. Dr. Sven Bienert MRICS REV (IRE|BS)

Mrs. Dr. Pamela Hoerr und Mrs. Giulia Peretti (REAL I. S. AG)

Mrs. Madlen Fiedler (HANSAINVEST Real Assets GmbH)

Dear Readers,

First of all, we would like to thank all study participants for their time and expert contribution. The level of transparency achieved on the issues under discussion would not have been possible without such intensive co-operation and the many helpful pointers we received. We are equally grateful for the guest articles by Prof. Dr. Sven Bienert (IRE|BS), Dr. Pamela Hoerr and Giulia Peretti (Real I.S. AG) as well as Madlen Fiedler (Hansainvest Real Assets GmbH), which serve to emphasise the practical significance of the study. The insights gained from the total of 40 survey participants support a strategic and structured deployment of human resources within the real estate sector. The investment focus in the case of the majority of the real estate companies surveyed is on the asset classes office, retail and residential in the German-speaking DACH region.

The purpose of this study is to explore the question of ESG-related impacts on human resources in the real estate economy. Compared to the other challenges in the market, ESG is still a relatively young but nonetheless highly dynamic topic. The overall focus of market activities is currently on the issues of data compilation and support from IT systems. The majority of real estate investors, portfolio owners and also corporates tend to define their required optimisation projects on the back of their initial data analyses, and then implement these based on their level of priority. This means that the sector is faced with significant management challenges, which require a realignment of their human resources. As a natural consequence, service providers are also affected by the changes in the personnel situation. It is our objective to provide an overview of the current situation in the area of human resources and the quantitative and qualitative requirements affecting market participants. We wish you an enjoyable read and hope we can give you some valuable insights!



Carsten Wesner
Founder / Managing Director



Markus Franz
Head of ESG / Digitisation

CONTENTS

I. Management Summary	4
II. Evaluation of Results	
Type of participants	6
Status quo ESG organisational structures	12
Human resources and personnel management	24
Challenges	34
III. Guest Articles	
Mr. Prof. Dr. Sven Bienert MRICS REV (IRE BS)	38
Mrs. Dr. Pamela Hoerr (REAL I.S. AG) and	
Mrs. Giulia Peretti (REAL I.S. AG)	43
Mrs. Madlen Fiedler (HANSAINVEST)	47
IV. Conclusion and Outlook	50

For the purposes of improved readability, we will dispense with the separate use of masculine and feminine forms. All references to persons apply equally to all genders.

MANAGEMENT SUMMARY (1 | 2)

ESG organisational structure:

of the companies surveyed, over two thirds have already appointed a defined person responsible for ESG, have established an ESG team or have instructed an external consultant in this regard. 10% of the participants are still in the process of establishing an ESG team. Of the companies which have already appointed an ESG officer, this position is held either by the designated head of ESG/sustainability (80%), the company management itself or the department head responsible for portfolio management. Of the existing ESG teams, 35% comprise 1 - 4 staff members, 27% comprise 5 - 8 employees and 7% comprise more than 9 persons.

Challenges:

according to the findings of the study, the human resources challenges are currently considered a lower priority than, for example, data management and compliance with regulatory requirements. It should not be forgotten that in the further course of the process, the data analyses and the strategic decisions based on that data are typically implemented by company personnel. IT systems generally provide a supporting function in the analysis and controlling of the properties/portfolios.

Human resources requirement:

even if two thirds of the respondents have already appointed an ESG officer, created an ESG team and/or appointed an external consultant, the companies are still facing major staffing challenges. Currently almost half of the companies surveyed have unfilled ESG positions. Of these, almost three quarters are currently looking for 1 to 2 new staff members in this area. More than 50% of the companies will be looking for 1 to 2 new employees in each of the next 12, 24 and 36 months and around 20% of respondents are looking for as many as 5+ new employees over the next 36 months.

Supply of human resources:

the situation on the labour market can already be categorised as tense. 55% of respondents assume that there are no qualified staff available on the market. For this reason, the solution appears to lie in ESG training and further education and the nurture of existing staff.

MANAGEMENT SUMMARY (2 | 2)

Training and further education:

the legal requirements framework relates to the three principal topics for which the companies surveyed see the greatest need for training and further education, i.e. regulation and taxonomy, specific knowledge of optimisation methodology / technology and data management. In addition, there is a need for training in the general principles and basic knowledge of the individual categories E, S and G. The primary knowledge transfer to staff currently takes place via internal workshops or workshops presented by external experts.

ESG core activities:

in the case of companies which have already appointed their own ESG officers or have their own ESG team, those persons are fully responsible for the operational implementation of projects. This mainly includes data analyses, including the preparation and determination of optimisation projects, the interpretation and definition of regulatory requirements and the preparation of the corresponding ESG reports. On account of their significance, the senior management is directly responsible for around three quarters of the strategically oriented decisions regarding property and portfolio strategy and also the company's own business decisions.

Special note on data management:

the responsibilities for collecting the data reflect the current organisational set-up or stage of development of the respective organisation with regard to the ESG structure of the individual companies. In companies with their own ESG teams (approx. 40%), the responsibility for data management lies with this department. This means that companies which do not yet have their own or an established ESG structure/organisation need to get the data prepared by asset/property managers or even directly from the controlling division. This emphasises the fact that in such cases the data is not available centrally in one place due to the multitude of sources and this must then be compiled by various participants in a laborious and time-consuming process.

EVALUATION OF RESULTS

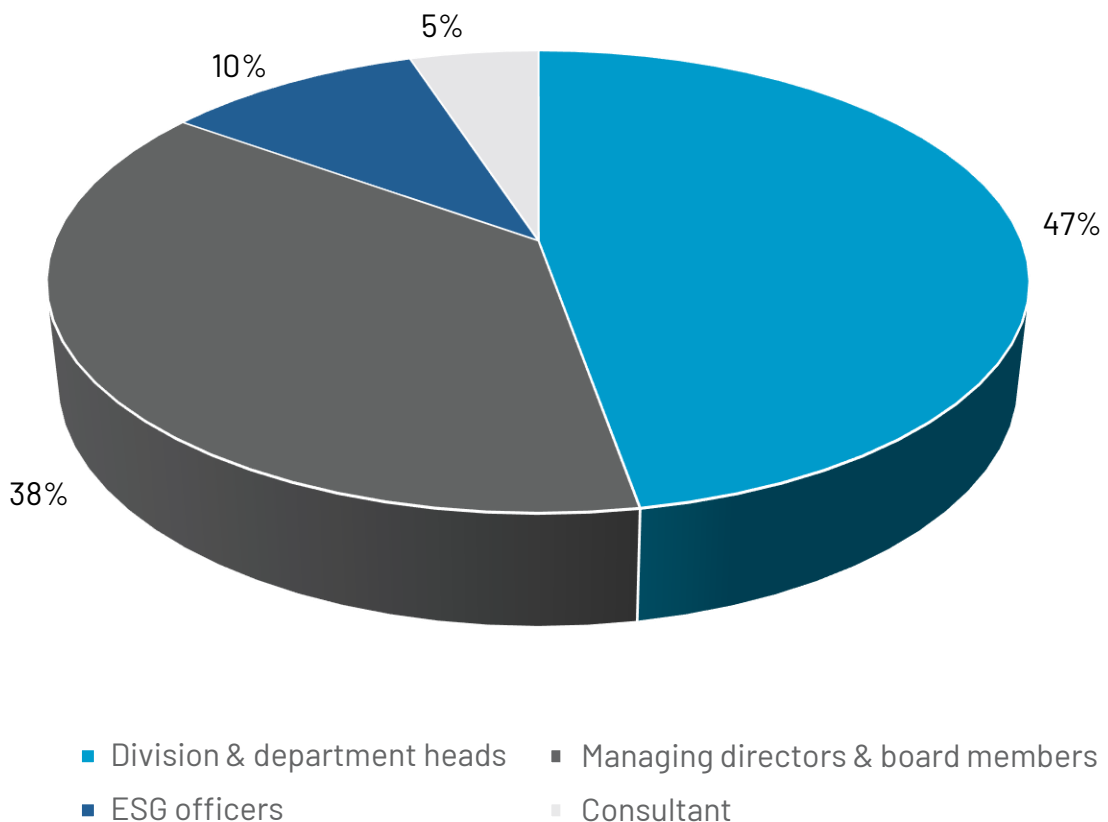
TYPE OF PARTICIPANTS

EVALUATION OF RESULTS

Type of participants

Position of respondents within their respective company

The questions used for the study were answered by experienced professional staff and senior managers. **The proportion comprising managing directors and board members is 38%.** In our opinion, the level of staff taking part in the survey reflects the level of management currently responsible for ESG issues in the various companies.



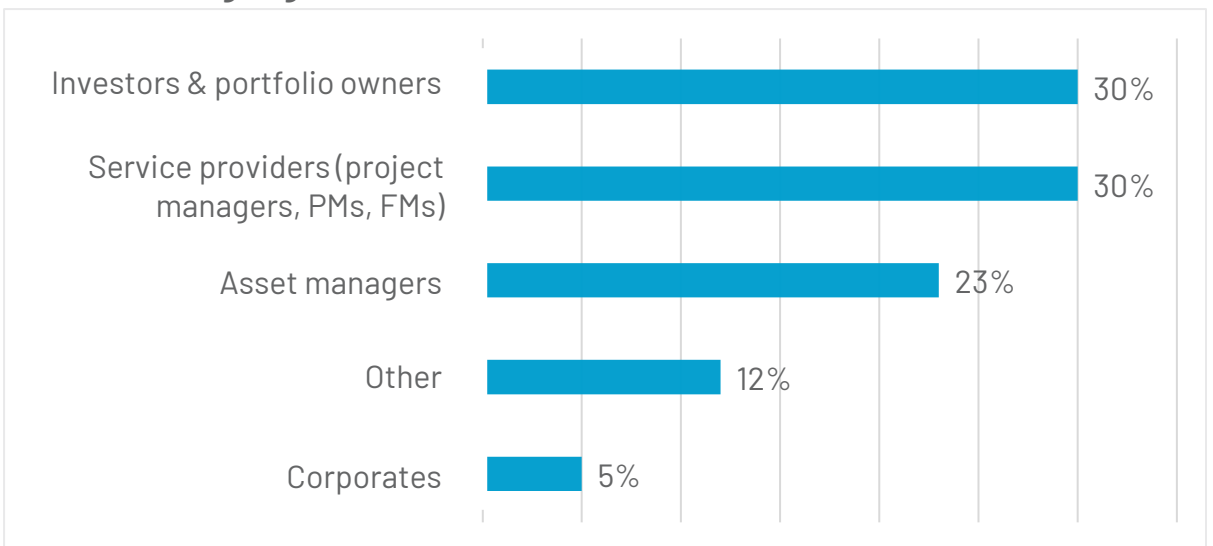
EVALUATION OF RESULTS

Type of participants

Types of companies surveyed

Institutional investors and portfolio owners and also asset managers (predominantly with their own property holdings) account for **the majority** of the companies taking part in the study. As will become apparent in the further examination of the survey results, this sector represents the current and future requirement for ESG professionals, both quantitatively and qualitatively. The professional requirements (qualitative) tend to differ depending on the sphere of activity (owner or service provider).

On account of the dynamic development of the ESG topic in the sector, which initially required intensive input from owners and asset managers to face the professional challenges, there is also expected to be an **increasing demand for ESG experts in the service sector going forward.**



Special note on the types of job profile taking part in the survey:

according to the gif definition, the most frequently occurring job profiles in the companies surveyed are fund and portfolio managers, asset and property managers and construction and project controllers in the real estate management division.

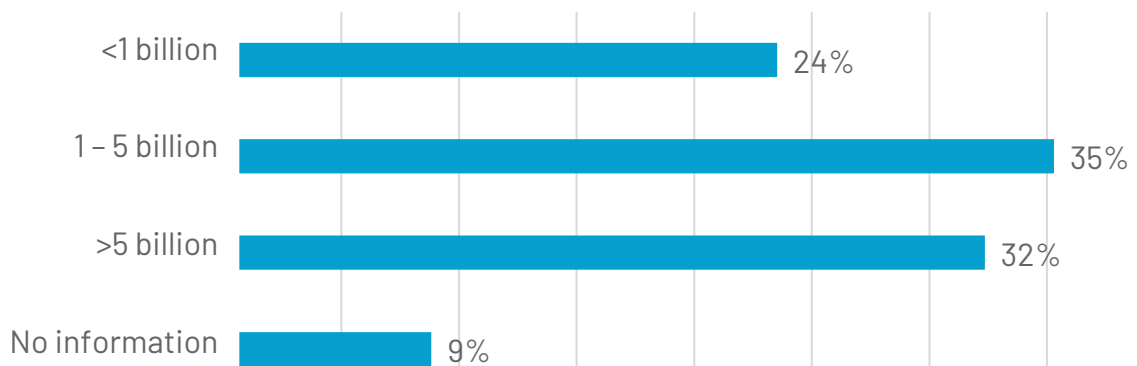
EVALUATION OF RESULTS

Type of participants

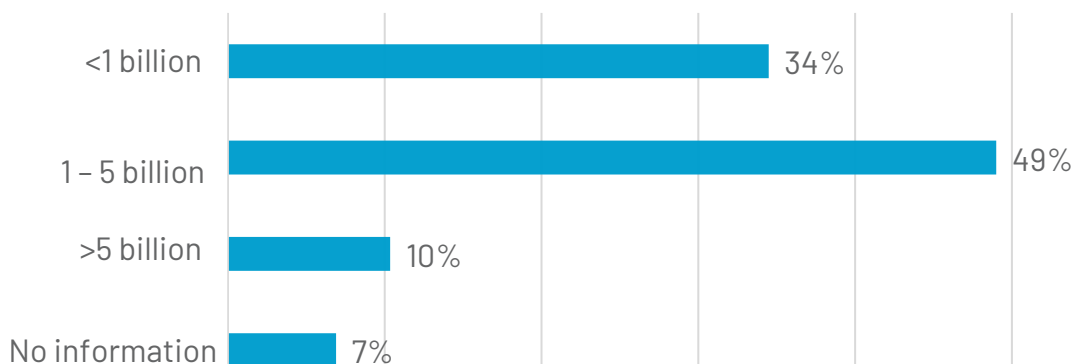
Volume of assets under management in EUR (market value) and total area in m²

The companies surveyed and their **underlying portfolios** form a **representative cross-section** of the **real estate sector**. Particularly in the case of larger companies, the different investment strategies amongst the various portfolios tend to be in correlation with their market values, which can have a significant influence on the business models and management capacities involved. Consequently, this correlation also has an impact on the composition of the ESG teams and the types of experts taking part.

Assets under management in EUR



Assets under management in m²

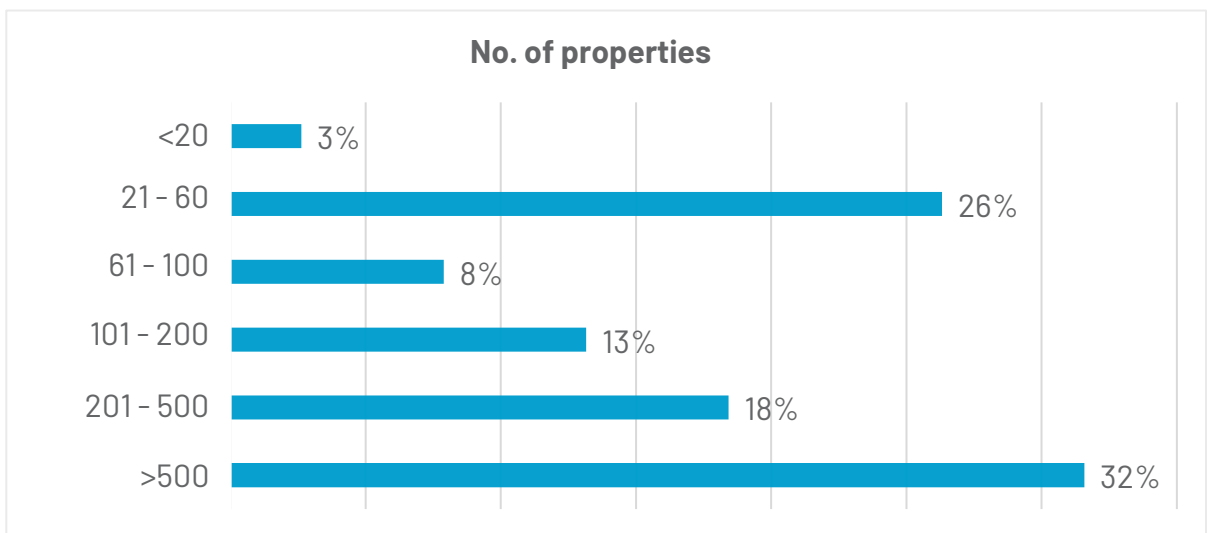


EVALUATION OF RESULTS

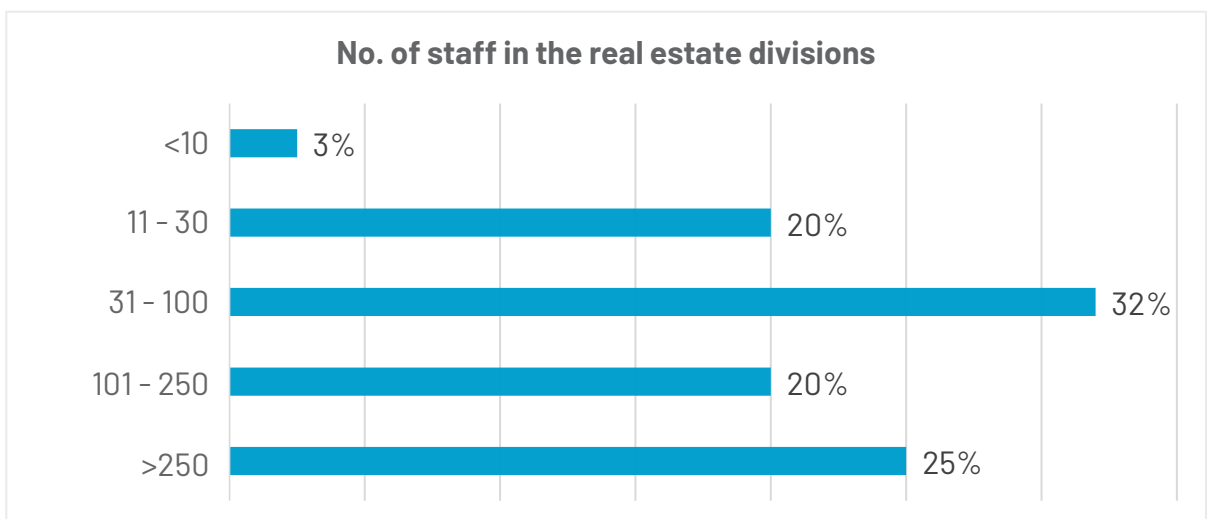
Type of participants

No. of properties and No. of staff in the real estate division

Half of the respondents said that they have **in excess of 200 properties** in their portfolios. Highly qualified staff are required in order to manage properties, both in a professional manner and in response to current challenges.



Almost **half of the companies surveyed** - both owners and service providers - have a **staff of over 100** working in the real estate sector alone.

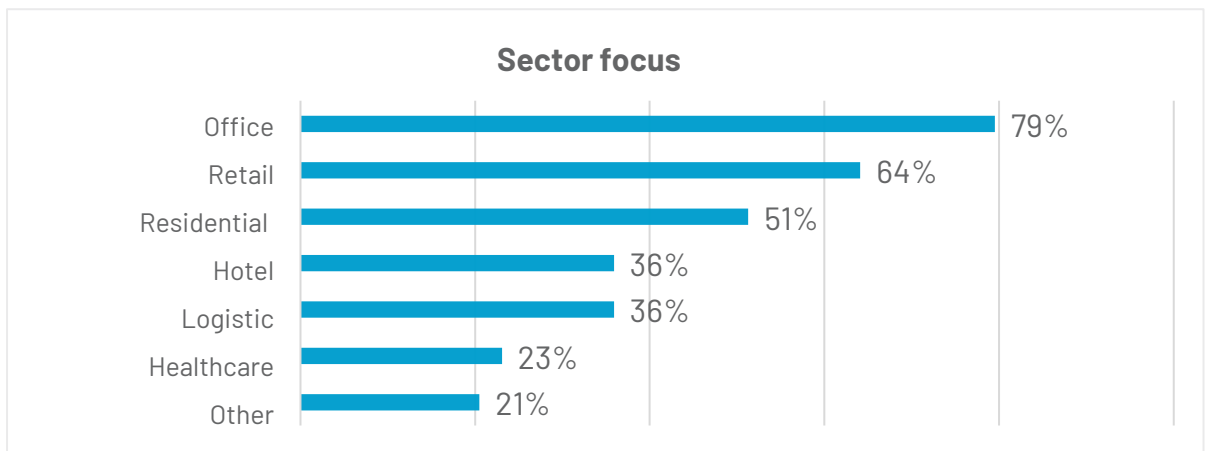


EVALUATION OF RESULTS

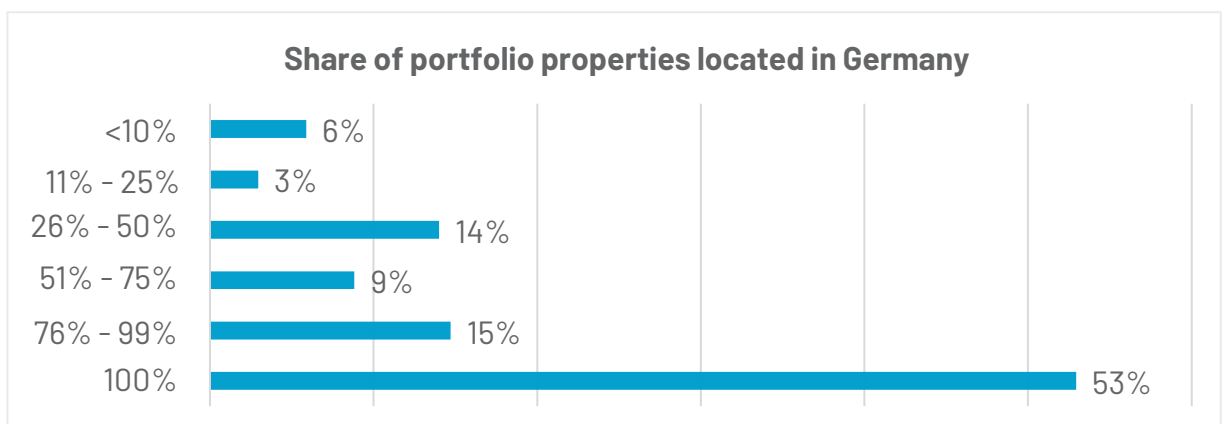
Type of participants

Sector focus/share of portfolio properties located in Germany

By far the **greatest investment focus** is on the **office sector**, followed by retail and residential. The differentiated requirements across the various investment strategies in future will require particular specialisations amongst the respective ESG experts in order to master the demands of the individual properties.



Over half (53%) of the companies surveyed said that their entire portfolio (100%) is located **exclusively in Germany**. More than three quarters of the companies have over half their portfolio in Germany and only around a quarter have their focus abroad.



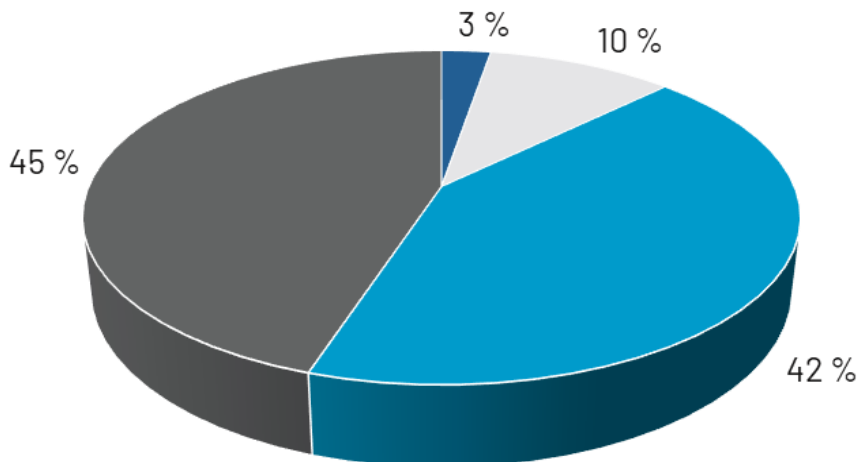
EVALUATION OF RESULTS

STATUS QUO | ESG ORGANISATIONAL STRUCTURES

EVALUATION OF RESULTS

Status quo | ESG organisational structures

Implementation of ESG-compliance projects within the respective companies



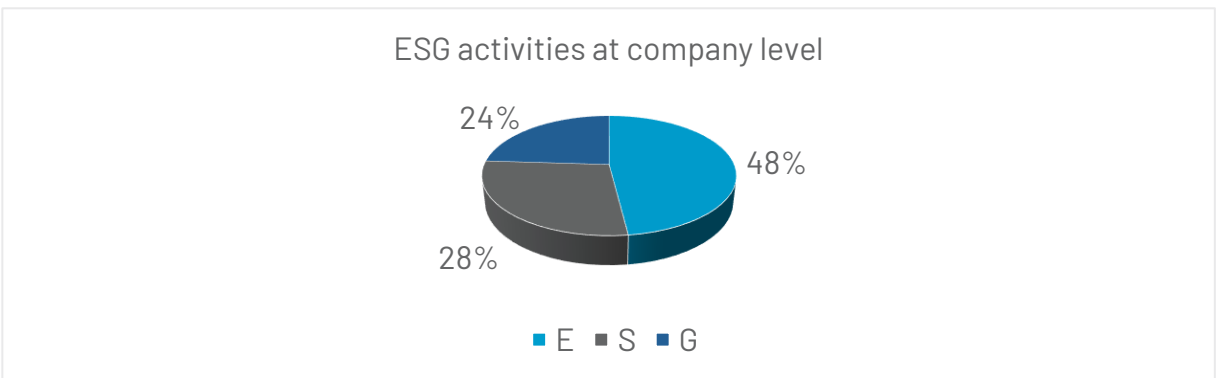
- Not yet started with implementation
- Still at an early stage of implementation
- Already working on concepts / projects
- Have been working on implementation for some time

The majority (87%) of the companies surveyed are already **implementing ESG-compliance projects**. Of these, around 45% of the companies have been active on this for some time. This high proportion shows the **huge pressure** on the sector **to act** in response to **regulatory requirements**. This is a clear sign that the topic of ESG is something with which the companies are intensively involved. This is a fundamental indication of the need for **qualified personnel**. Some so-called latecomers, which are still at an early stage in this regard, tend to be companies in the services segment.

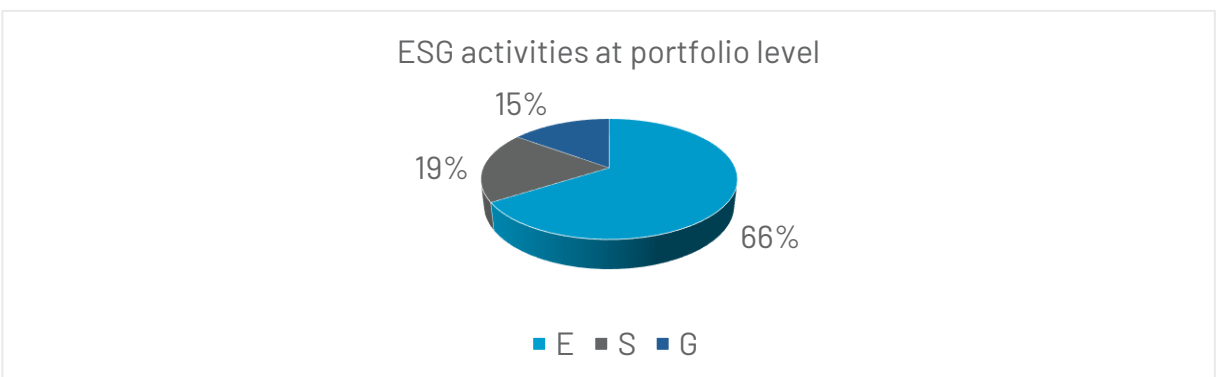
EVALUATION OF RESULTS

Status quo | ESG organisational structures

Weighting of current ESG-activities at both company and portfolio level



Due to the current developments in energy prices and inflation, the company level **focus** of around 50% of survey participants is on the area of **environmental**. The aspects of social and governance are more pronounced in the case of owner-managed companies, as it is easier to implement projects and collect data in those types of set-up. **79%** of the companies surveyed have a **compliance officer**.



There is an **even greater focus on the environmental** aspect **at portfolio level** than at company level. The focus here is on saving primary and final energy consumption and reducing CO₂ emissions. The relatively low level of social and governance-related activities is due, on the one hand, to the fact that the regulations have not yet been fully defined and, on the other, because implementation tends to be more difficult at the **tenant/occupier level**.

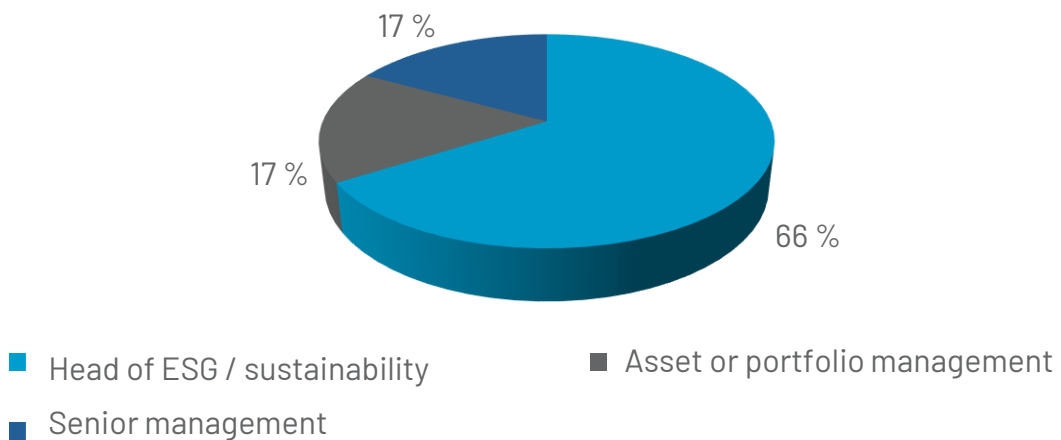
EVALUATION OF RESULTS

Status quo | ESG organisational structures

Persons responsible for ESG and ESG teams in the respective companies

The survey already shows a positive trend in terms of specialisation and responsibility on the topics of ESG and sustainability. Around **two thirds of the companies** surveyed have already appointed an **ESG-compliance officer**, **established an ESG team** or have **engaged an external consultant**. These companies have thus responded positively to the challenges in terms of organisation and application.

Almost one third of the companies surveyed do not yet have an ESG team or the ESG team is still in set-up phase. In our view, there is still a lot of catching up to do - at least for those companies which must actively face the challenges posed by the topic of ESG.

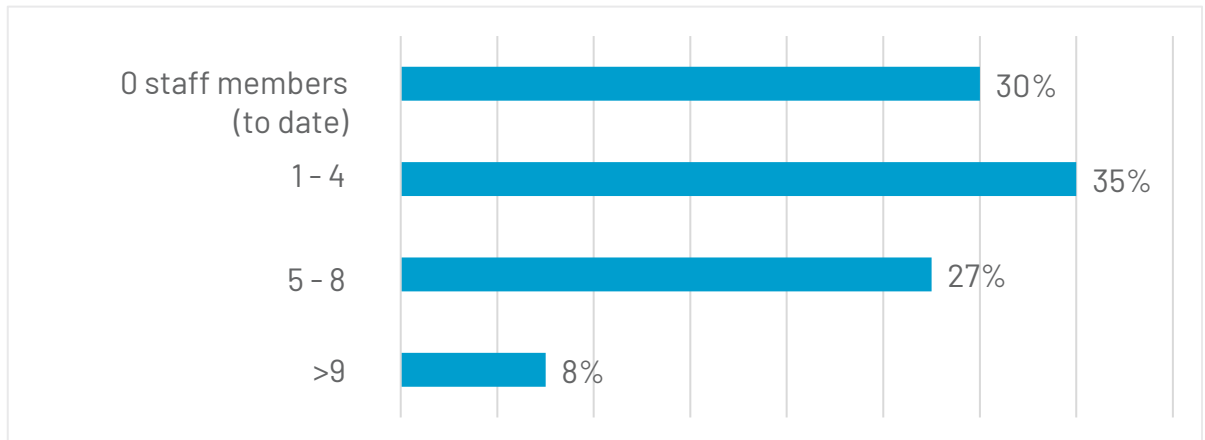


At the companies which have already clarified **responsibility** for ESG/sustainability issues, **66%** said that this task is carried out by specially appointed **ESG/sustainability managers**. At the remaining companies, 17% each said that the responsibility still lies with senior management or with asset or portfolio management.

EVALUATION OF RESULTS

Status quo | ESG organisational structures

No. of staff in the ESG team



It can be seen that the set-up of ESG-related teams is progressing in the companies surveyed in response to the dynamic development in terms of ESG requirements, making **additional human resources capacities essential**.

Core activities of the ESG team

Interpretation and application of regulatory requirements

Definition and implementation of ESG strategy

Co-ordination of ESG-related activities

Controlling of data management

Analysis of data and definition of optimisation projects

Those companies which do **not have an ESG team to date** may face **significant recruitment challenges** in terms of staffing an ESG team due to the lack of ESG experts in the market.

EVALUATION OF RESULTS

Status quo | ESG organisational structures

Responsibility for the collection/provision and reporting of ESG data

An underlying distinction must be made between **data collection/provision** (e.g. building consumption data, building key data etc.) and **data structuring/data analysis**. In the structures set up so far, whereby an ESG officer is responsible for **data management**, that person controls the data requests to the various **data sources** and consolidates the data supplied into the company's own ESG data management system. The aggregated and verified data is used, on the one hand, for direct **applications/analyses** and **reporting**. On the other hand, all other stakeholders such as managing directors, investors, scoring models and building certification systems are also supplied with data from this **ESG data pool**.



The **compilation of data** takes place **across whole departments and companies**. In almost 40% of the companies surveyed, responsibility for data management lies with the ESG/sustainability department. As data is currently not stored centrally but available from **various sources**, this must be painstakingly compiled by all those involved in order to prepare for reporting. The steadily increasing workload due to **regulatory requirements** can only be managed with more personnel or a higher degree of automation.

EVALUATION OF RESULTS

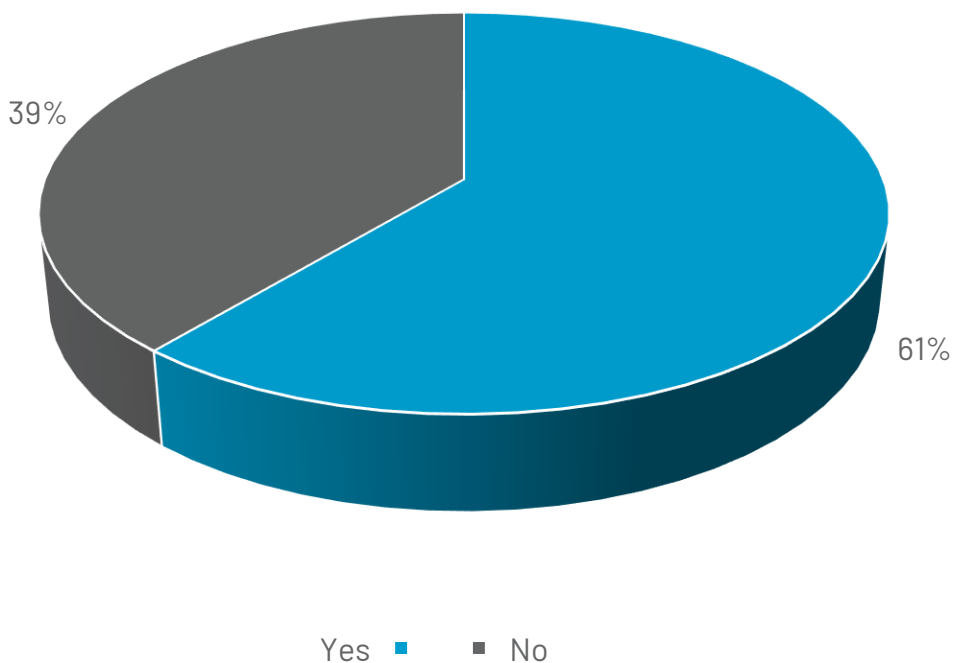
Status quo | ESG organisational structures

Special note on the responsibility of the property manager for ESG data in accordance with the gif definition

According to the gif definition, the “preparation of **documentation, data analyses and reporting** to the client or the property asset management” is a task included within the job profile of property managers.

Due to the expanded data requirements relating to ESG, demands on property managers have increased.

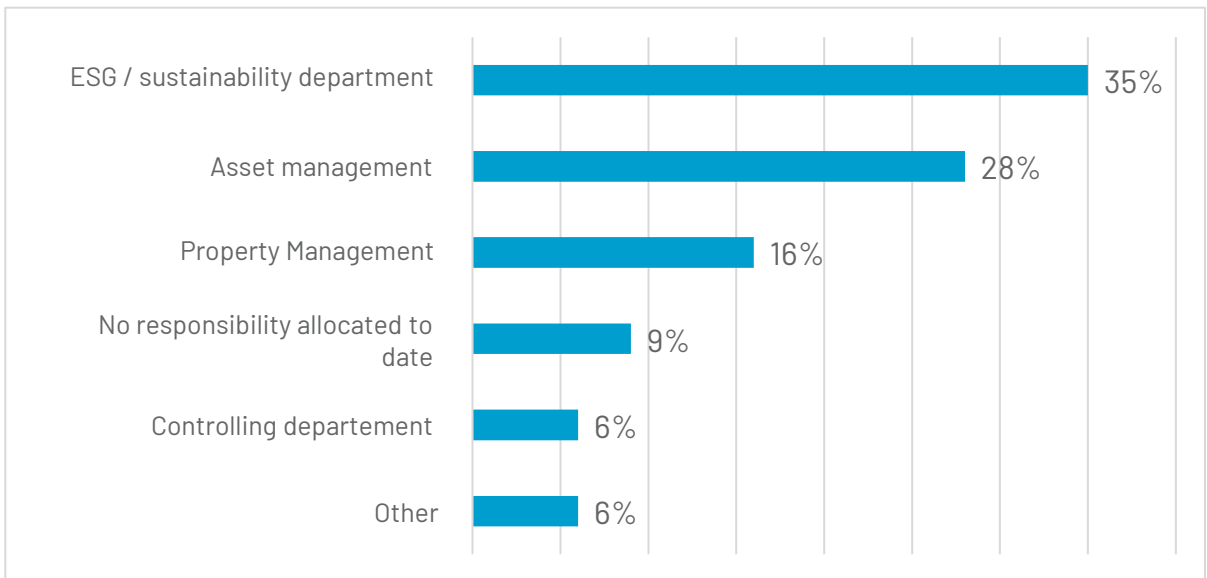
61% of the respondents said that **property managers** are also responsible for **ESG-related data** in their company.



EVALUATION OF RESULTS

Status quo | ESG organisational structures

Responsibility for the analysis of ESG data in order to define optimisation projects



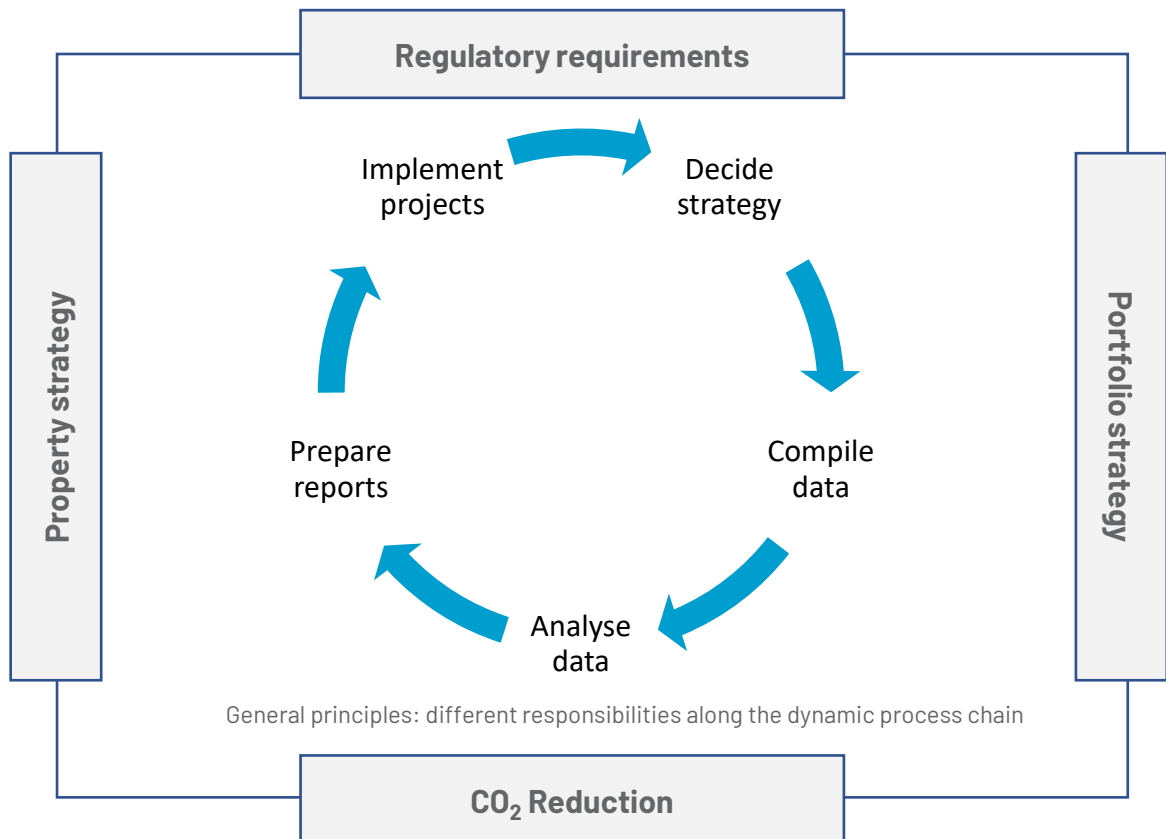
Further to the data collection/provision issue, for most of the respondents the **ESG/sustainability department** is mainly responsible for **analysing the data** and **defining** the resulting **optimisation projects**. Due to its **overall responsibility** for portfolio/property strategy and its practical “proximity to the property”, the asset management department is also involved to a high degree in the definition of **ESG-related activities**.

For 9% of the respondents, there is no-one responsible for data analysis, which is something of a concern, as decisions cannot be made based on hard data or facts.

EVALUATION OF RESULTS

Status quo | ESG organisational structures

Responsibility for the implementation of projects in compliance with regulatory requirements



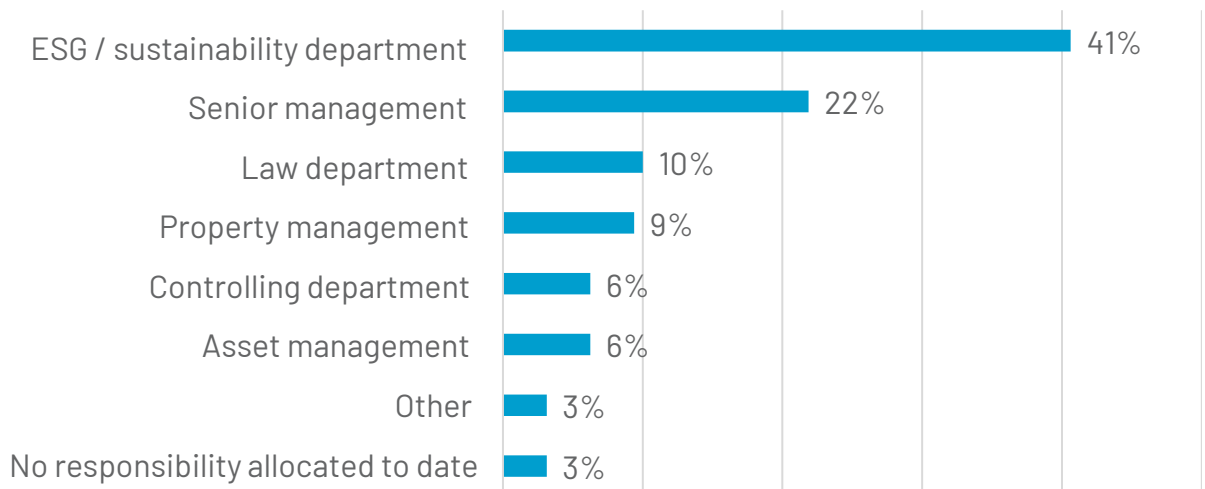
At the companies surveyed, the **ESG/sustainability department** is largely responsible for the **implementation** of projects in order to comply with **regulatory requirements**. On the one hand, this indicates that **compliance with regulations** is one of the **standardised tasks** of the (specialist) ESG/sustainability department. On the other hand, for approx. 75% of the companies surveyed the interdisciplinary collaboration between the ESG/sustainability department, senior management and the legal department makes it clear how demanding the regulations are in terms of **dynamics**, **interpretation** and **implementation**.

EVALUATION OF RESULTS

Status quo | ESG organisational structures

Responsibility for the preparation of company-specific ESG reports

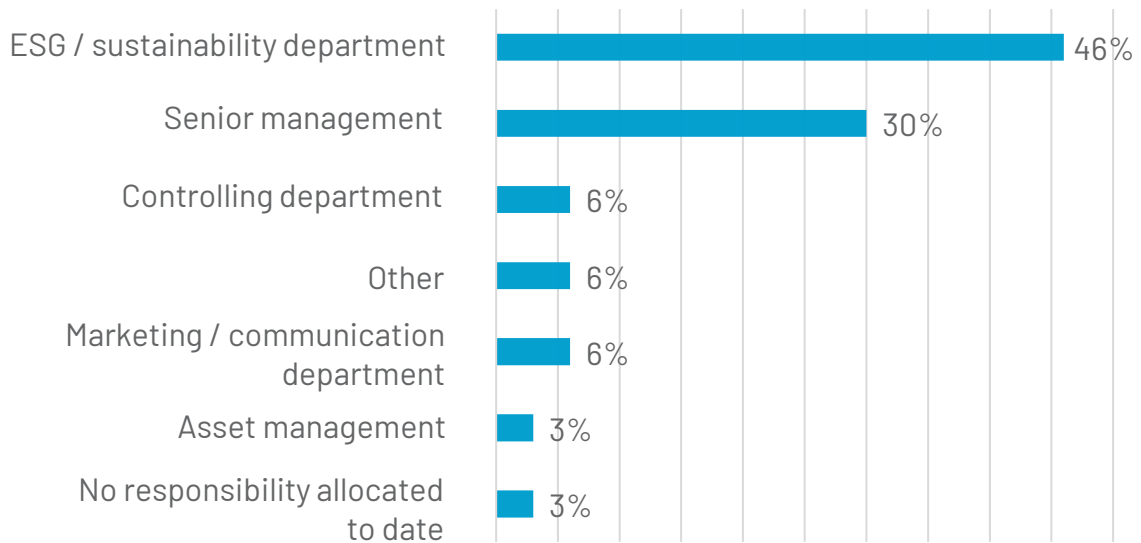
Asset and property managers tend to be less involved in compliance processes unless they are directly responsible for ESG. The focus here is on the **legal classification** and **definition** and less on data management and the determination of optimisation projects.



EVALUATION OF RESULTS

Status quo | ESG organisational structures

Responsibility for the preparation of company-specific ESG reports



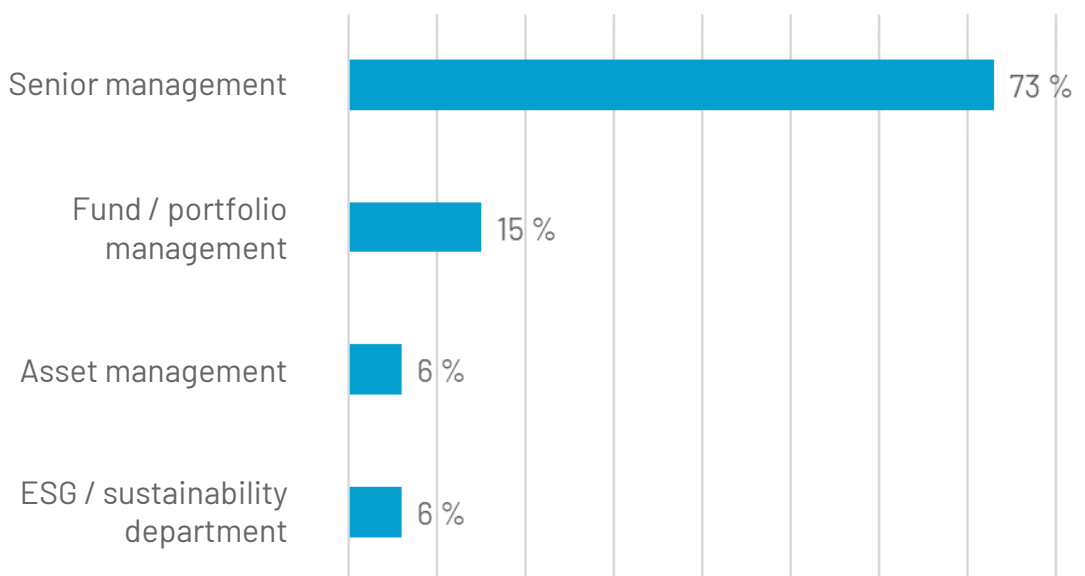
The **ESG/sustainability department** is mainly entrusted with the **preparation** of company-specific **ESG reports**, which serve as a decision-making tool for senior management. At 30% of the companies surveyed, the senior management also assumes the **professional responsibility** for the preparation of the ESG reports. On the one hand, this is due to the high priority of the topic of ESG but, on the other, it is also due to the **resources not yet being available** at those companies.

EVALUATION OF RESULTS

Status quo | ESG organisational structures

Responsibility for ESG strategy

As the development of a property/portfolio/corporate strategy to reflect ESG aspects involves long-term and future-oriented decisions, **for approx. three quarters of the companies** surveyed the **principal responsibility** for this lies at **senior management level**. At this point the ESG/sustainability department provides a preparatory and advisory function, otherwise this department (at 6%) and asset management (also 6%) exert only a subordinate influence on the allocation of roles. Depending on the business model, fund/portfolio management (15%) may also be responsible for the ESG strategy.



EVALUATION OF RESULTS

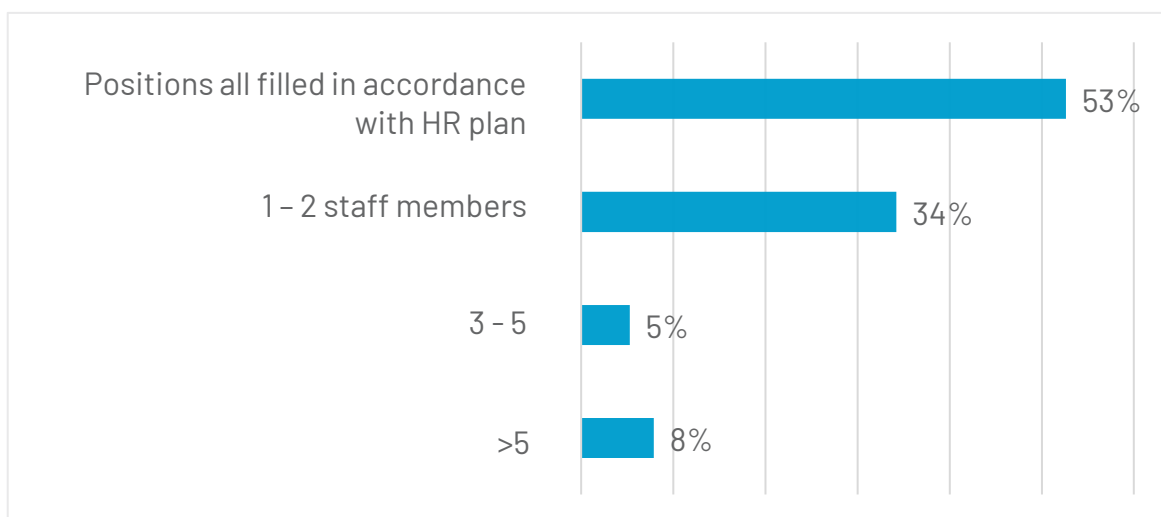
HUMAN RESOURCES AND PERSONNEL MANAGEMENT

EVALUATION OF RESULTS

Human Resources and personnel management

Current staffing requirements in terms of ESG experts

Question: “Are the current staffing requirements in terms of ESG experts already covered at your company and if not, how many ESG-related positions are currently unfilled?”

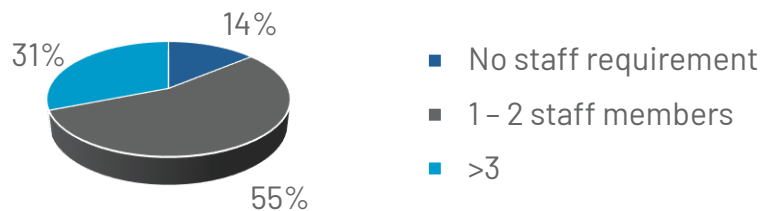


Almost 50% of the **companies** surveyed said that they have **unfilled ESG-related positions**. Of the companies which have vacancies, **72% are currently looking for one to two ESG staff members**. The results of the study indicate that the market is currently **unable to provide the required number of ESG experts** and is unlikely to do so in the future either. Due to the market situation, a “**battle for talent**” is emerging in this segment. Essential elements such as the **retention of existing staff** and the **recruitment/candidate experience** play a major part in this. The companies’ internal and external communication and the clear positioning of their own competitive advantages are critical **success factors**. Small to medium-sized companies tend to be in a more difficult situation than larger companies in this regard.

EVALUATION OF RESULTS

Human Resources and personnel management

What is the additional staffing requirement (FTE) over the coming three years



The majority of the companies surveyed are looking for **one to two ESG staff members annually** over the next **three years**.

Experience shows that building up teams on this scale represents a healthy growth level within an organisation. In this way, the companies are meeting the increasing demands of the topic of ESG, and decarbonisation in particular. The continual demand over the next 36 months is also due to the different stages of development in the implementation of ESG-compliance projects by the individual companies. This means that the companies which have recently transitioned from the conceptualisation phase to the implementation phase are now staffing-up or expanding their teams. The proportion of companies which will actually need **more than three staff members** over the **next three years** is around **30%**.

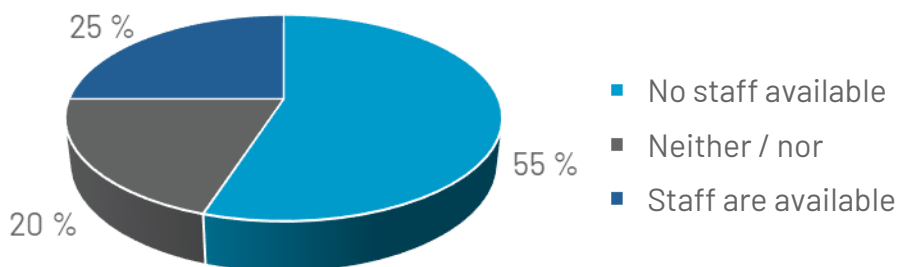
From today's perspective, it is questionable whether the demand for ESG experts can be covered by the human resources market at all. Part of the demand will be satisfied by the further internal training of existing staff, and with good reason. However, this requires a redistribution of the current resources and a reallocation of the associated tasks. Based on the available figures, it can be assumed that the **demand for ESG experts** is likely to be in the **mid four-digit range over the next few years**. Further findings are presented on the following slide.

EVALUATION OF RESULTS

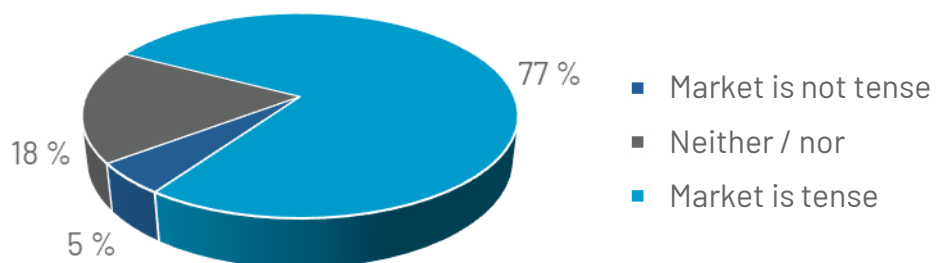
Human Resources and personnel management

Assessment of the HR market in terms of filling open jobs with ESG experts

When asked whether **professional staff with ESG know-how are available on the market**, over half (**55%**) of the companies surveyed said that **they were not**, thus confirming the findings on the previous slide that the human resources market is now already unable to cover personnel requirements and will be very unlikely to be able to do so in future either.



Further to this, **77%** of the respondents confirm that they consider the **human resources market** to be **tense** and that it is **very difficult to fill vacancies**, as there are currently no qualified applicants with the corresponding ESG know-how on the market, and there are very likely to be none in the future either.

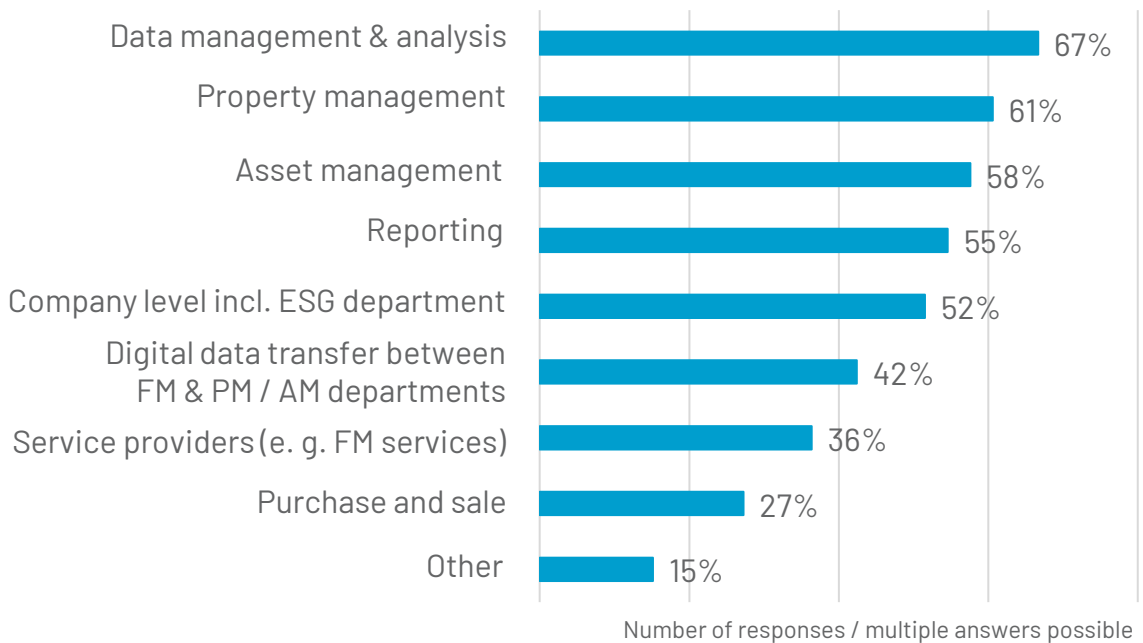


The various perspectives thrown up by the survey tend to confirm the assumption that the human resources market is tight due to the high demand for ESG experts.

EVALUATION OF RESULTS

Human Resources and personnel management

Building up and procuring further ESG competence



Data is the **foundation** for all further activities in the field of ESG. Thus, **67% of the respondents** said that there is a requirement to **build up further competence** in this regard. This reflects the current situation in terms of the priority of effective data management.

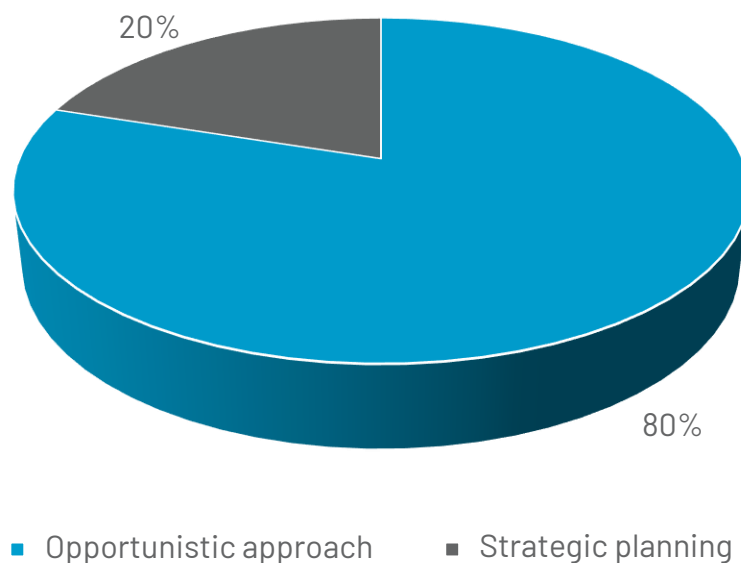
An increase in the level of competence with regard to ESG issues in asset and property management also clarifies the various tasks involved in the **procurement and further processing of data** as well as the definition of ESG-related criteria.

EVALUATION OF RESULTS

Human Resources and personnel management

Types of ESG staff requirements planning

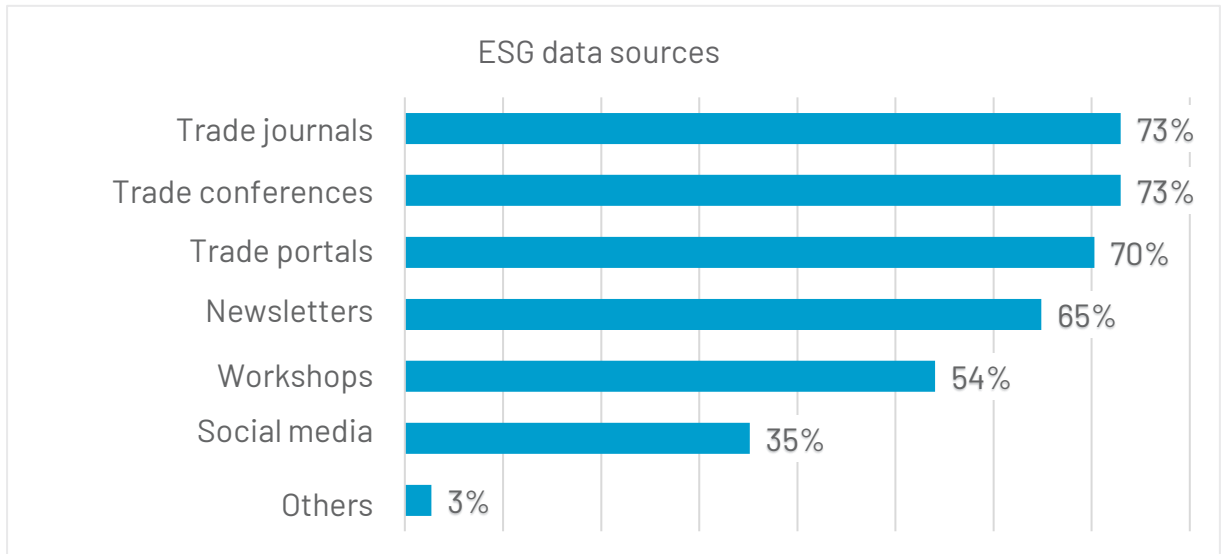
Strategic planning is difficult in the context that there are still no concrete personnel requirements profiles. It is thus perfectly understandable that **80%** of the companies choose an **opportunistic approach** and only act when absolutely necessary or when legal requirements change. However, there is a real risk for companies that the required ESG-related expertise will not be available promptly when needed. Therefore, the **strategic objective** of companies should already involve **long-term human resources planning** when it comes to appointing ESG experts. This applies particularly in connection with the comments on page 25.



EVALUATION OF RESULTS

Human Resources and personnel management

Information sources/further education opportunities relating to ESG and transfer of ESG know-how to staff



Number of responses/multiple answers possible

More than **70%** of the respondents **regularly use trade journals, trade portals and trade conferences** as sources of information.

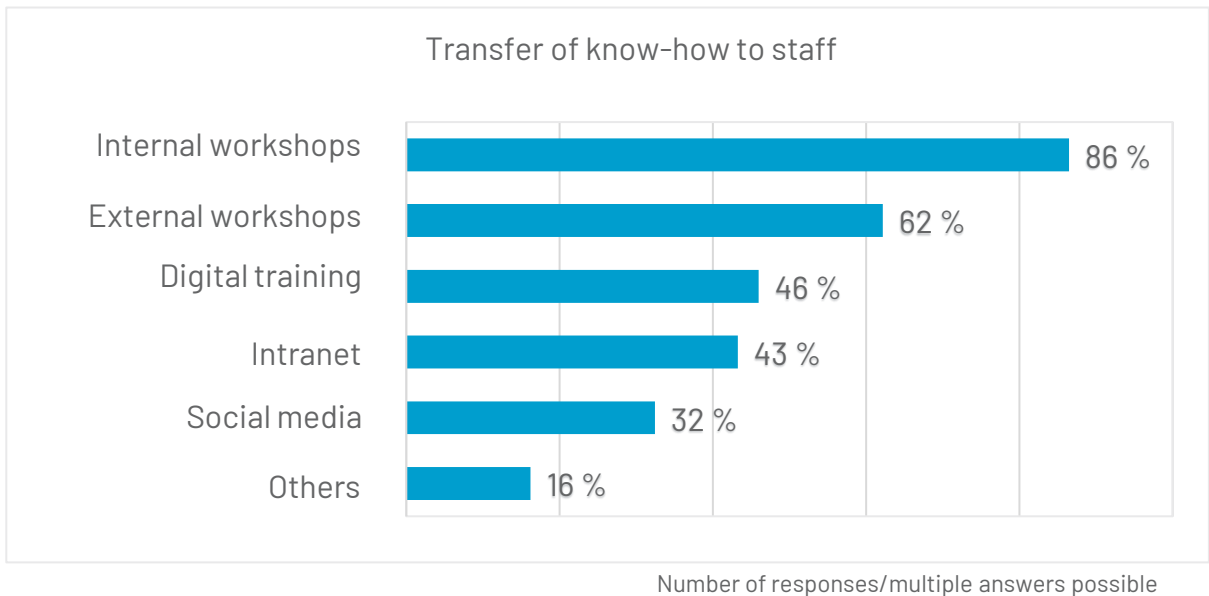
These reliable sources are a sound basis for building up **ESG know-how**. Further expertise is gained via cognate workshops. Only around **one third** keep themselves informed about ESG topics via **social media**, although the possibilities here are very wide-ranging and inexpensive. The “**networking aspect**” should also not be ignored in this regard.

More than **half** of the **managing directors and board members** surveyed **participate in ESG-related workshops themselves**.

EVALUATION OF RESULTS

Human Resources and personnel management

Information sources/further education opportunities relating to ESG and transfer of ESG know-how to staff



Over **85%** of the companies surveyed use **internal workshops** to communicate ESG know-how to their staff. Furthermore, around **60%** of the companies **use workshops presented by external experts**.

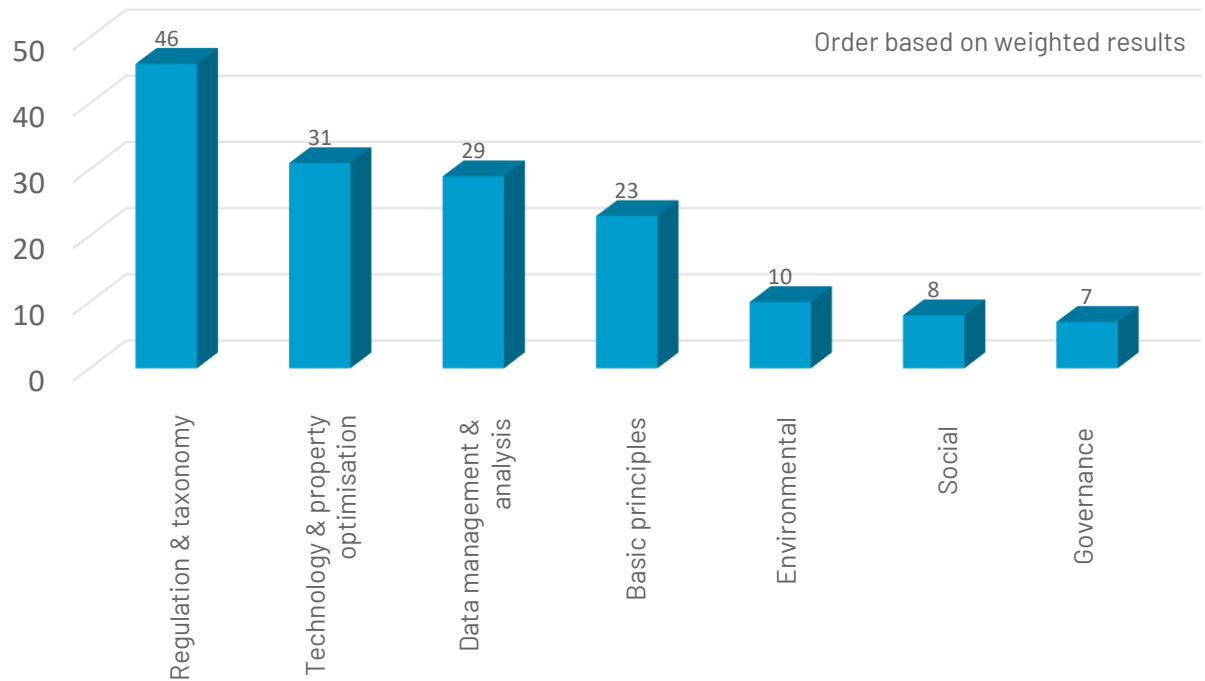
One third of the respondents rely on newsletters or other sources of information to convey ESG know-how to employees. **Knowledge transfer** thus takes place in a **variety of ways**. The different variants illustrate the **different requirements** which must be taken into account when building up ESG know-how.

In the future, there will be a stronger **focus** on the professional training and further education of staff.

EVALUATION OF RESULTS

Human Resources and personnel management

Type of ESG training/further education requirements

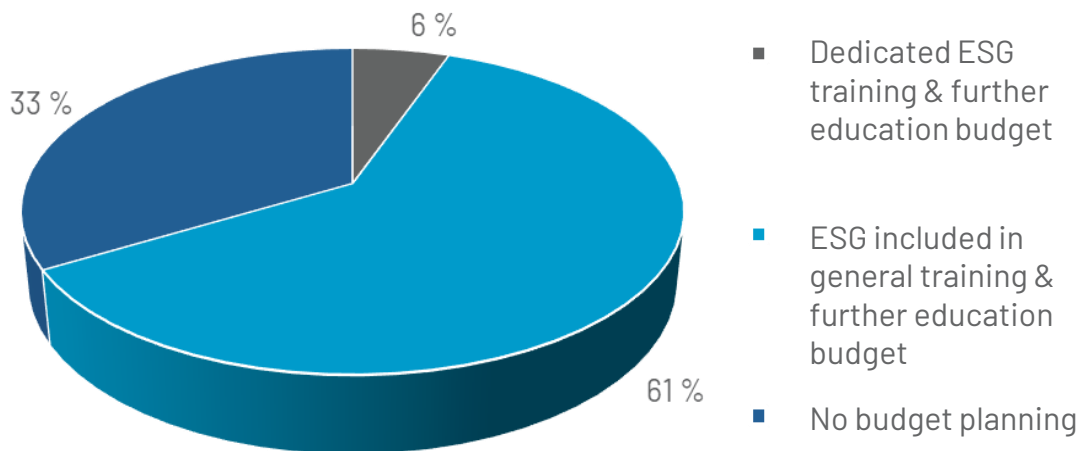


Regulation and taxonomy form the **legal framework** and should be understood as the starting point for the necessary activities. This enables sustainable portfolio optimisation - also based on sound data analysis - as well as the implementation of the individual criteria relating to E, S and G. Methodologically, the **interrelationships** between the individual elements and the practical sequence play an important role in terms of ESG implementation.

EVALUATION OF RESULTS

Human Resources and personnel management

ESG-specific training/further education budget



At the moment, companies **do not plan their own ESG-specific training and further education budget**, but tend to include this in their general budget planning. With growing requirements and considering the fact that vacant ESG positions will probably have to be increasingly filled internally in the future, it is expected that training costs will increase, which would justify a separate budget. This cost factor should not be underestimated, especially for small to medium-sized companies. Only 6% of the companies surveyed have their own ESG-specific training and further education budget.

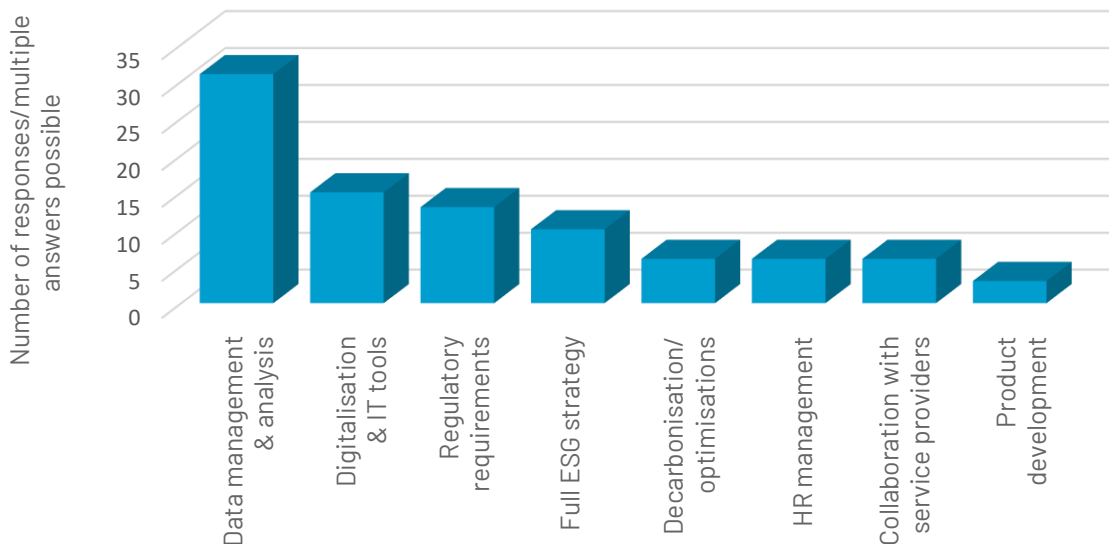
EVALUATION OF RESULTS

CHALLENGES

EVALUATION OF RESULTS

Challenges

Challenges faced by companies in fulfilling ESG requirements over the next 12 months



The companies surveyed see the **greatest challenges** over the next 12 months in the areas of **data management & analysis, digitalisation and IT tools**, and also **regulatory requirements**. This means that the operational fundamentals are a priority for most companies. Decarbonisation or reduction of CO₂ emissions appears to be more of a longer-term issue but is weighted highest in that category. Most companies have already developed a strategy to reduce energy consumption/CO₂ emissions and have commenced initial projects.

By contrast, the challenge with regard to human resources is currently rated rather lower. At this point, there is a **danger** that the **build-up and qualification of personnel** for the implementation of ESG activities will **not be completed in time** because this aspect is not yet given the weighting it deserves. The **solutions** lie mainly in the **automation of standard processes**, the **further development of IT systems**, the establishment of **data standards** and, of course, in the **qualification of staff**.

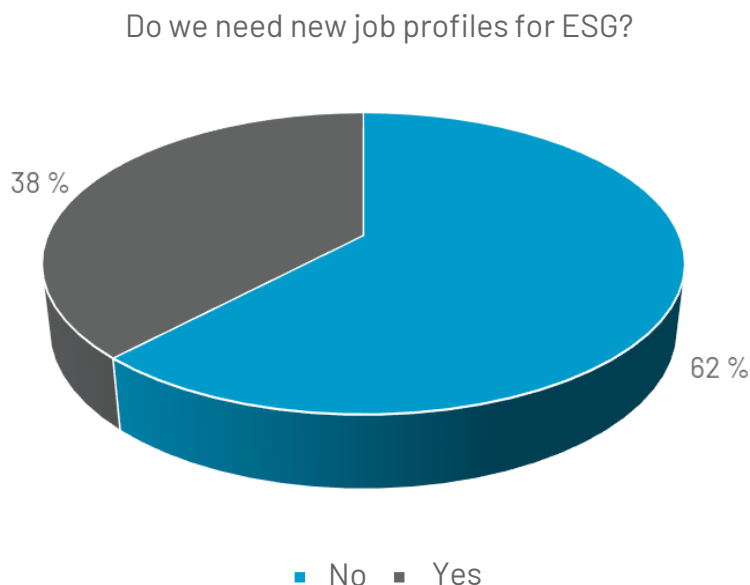
EVALUATION OF RESULTS

Challenges

Do we need new job profiles for ESG?

When asked whether **new job profiles** are required for **ESG**, around **62%** of respondents **replied in the negative**. Rather, ESG standards need to be defined and **existing job profiles** must be **further modified**, both in the respective commercial and technical fields as well as in specialised areas such as valuation, energy management and sustainable refurbishment. ESG topics are thus increasingly being integrated into everyday work across the companies and a moderate trend is emerging.

The proportion of participants surveyed who spoke **in favour** of new job profiles see a **need for specialisation** in the areas of **data management, regulation** and competence in the implementation of **refurbishment and optimisation projects**. ESG managers are also needed as experts with their comprehensive knowledge of the entire ESG and sustainability topic. Such **generalists** are particularly important in the case of smaller companies.



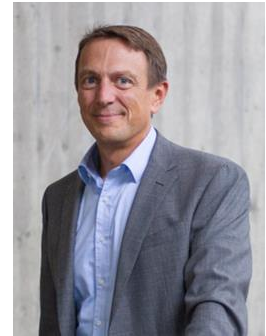
GUEST ARTICLES

PROF. DR. SVEN BIENERT MRICS REV

Guest article (1|5)

„Sustainable Real Estate“

For over 10 years now, the topic of “sustainable real estate” has been a key topic at the Kompetenzzentrum für Nachhaltigkeit in der Immobilienwirtschaft (Competence Centre for Sustainable Real Estate) at the University of Regensburg and is a compulsory module in the master’s degree programme.



This seeks to outline the basic principles in terms of the **status quo of climate change** and the level of damage to the environment as well as the **role of the real estate sector** in this context. It also includes the emergence of definitions relating to sustainability and its core elements. Whilst the target to date has been based on the “triple bottom line” comprising ecology, economy and social issues, this has been expanded during the course of the sustainability debate to include the terms CSR (corporate social responsibility) and ESG (environmental, social and governance) which are now ubiquitous in the real estate industry.




The course content is divided thematically into the fields of integration of sustainability in relation to **management functions** (corporate governance, value management, sustainability reporting, benchmarking) and the **value creation chain** (creation, operation & letting, investment, financing). Our **close co-operation with practitioners** means that we are always keen to incorporate the **latest developments and professional discussions** facing property companies. For example, more and more detailed information on European and national regulations, e.g. EU taxonomy or the GEG (German building energy act) has found its way into the teaching programme, and the measurement of CO₂ in the construction and occupation phases has gained in importance.

PROF. DR. SVEN BIENERT MRICS REV (IRE|BS)

Guest article (2 | 5)

„Sustainable Real Estate“

The future **young professionals in the sector** should be able to demonstrate the following core **competences** in the area of sustainability:

-  Awareness of the importance of the real estate economy in the context of sustainability
-  Understanding of current developments in the property market and the associated assessment of transitory and physical risks and the implementation of strategies for the management of those risks
-  Underlying knowledge of concepts such as building certification, green leases, cradle-to-cradle, sustainability due diligence, etc.
-  Making statements on the economic feasibility of sustainable properties and relevant investments
-  Developing recommendations for action for the decarbonisation and adaptation of real estate holdings
-  Autonomous work with tools / instruments such as CRREM (Carbon Risk Real Estate Monitor), LCC (life cycle costing) etc.
-  Critical scrutiny of corporate processes and support in the implementation of green governance at company level

In addition to stand-alone courses on sustainable real estate such as the one taught at the IRE|BS, more and more German universities are **integrating** the individual **core topics of real estate-related teaching with ESG aspects**. This integration is essential, because apart from specialised “ESG managers”, all staff in a company should now have a basic knowledge of the key sustainability factors in their own field. Only in this way is it possible to achieve a comprehensive and efficient **transformation towards sustainable corporate growth**.

PROF. DR. SVEN BIENERT MRICS REV (IRE|BS)

Guest article (3 | 5)

„Sustainable Real Estate“

The basic principles for the development of highly-qualified junior staff are in place, and there is **enormous intrinsic interest amongst the younger generation** in making a positive contribution in terms of climate change in the real estate sector. However, they are also aware of their qualifications and will demand corresponding salaries and additional benefits. Companies need to think carefully about how they can convince staff to take part and should also rely on multiple channels, because dealing with the ever-growing demands of the market and legislators cannot be achieved with newly recruited ESG experts alone.

In addition to the growing importance in the field of education, the **development of scientific models for benchmarking and reporting on ESG activities** is also progressing. Whilst the use of **tools for the measurement of transitory and physical climate risks** such as CRREM or GIS ImmoRisk is already part of everyday life in many companies, the research sector is continuing to work on **key indicators for the topic of social** (e.g. ICG's Social Impact Investing Guide) and tangible recommendations for the **implementation of "green governance"**. **Science-based tools** are available (often free-of-charge) and should be used. Look out for relevant webinars, which can be very useful in terms of training staff.

PROF. DR. SVEN BIENERT MRICS REV (IRE|BS)

Guest article (4 | 5)

„Sustainable Real Estate“

Finally, here are my personal conclusions in the context that I was already “playing with the topic” back when we were all still using the phrase “sustainability” and applying for our first ever building certifications:

- Even if the current energy crisis and recessionary framework conditions give rise to doubts in some quarters, the topic itself and the requirement for action to deal with ESG issues will not disappear from the top of the agenda – quite the contrary. Self-sufficiency, certainty of supply, stakeholder engagement, net zero, damage to stocks due to extreme weather etc. will be increasingly important topics over the next decade. A holistic view of the human resources required for this is equally important. In other words, ESG 1.0 is when you have a management unit reporting to the board; ESG 3.0 is achieved when all staff in the company know their objectives beyond purely commercial KPIs, and these activities are also reflected in their remuneration.
- ESG itself is not a cost centre, in fact ESG creates utility benefits and is central to the company and its future competitive positioning. The status and qualifications of the experts who carry out these functions should be reflected accordingly. So if your ESG experts sit on the investment committee and can prove to you with figures that a property will require more energetic refurbishment costs in three years than seems profitable, then you should probably not do the deal.

PROF. DR. SVEN BIENERT MRICS REV (IRE|BS)

Guest article (5 | 5)

„Sustainable Real Estate“

- Young people are hungry for a “purpose” and companies which see ESG as simply greenwashing will be punished in the “battle for talent” (and on the capital market). Feeling jointly responsible for values and the bigger picture can have a meaningful impact in this regard – and will not stand in the way of achieving micro economic returns. Companies are also encouraged to take a stand in this regard. The current push-back from states like Texas in the USA in terms of “ESG is a bad thing and impacts returns” must not be allowed to become a socially acceptable viewpoint. Every board of directors must (be allowed to) take a clear position on this issue.
- Universities must react to the changes in the markets to a greater degree than before, and adapt their curriculums accordingly. The times when a curriculum could remain unchanged for 10 years are over!

DR. PAMELA HOERR AND GIULIA PERETTI (REAL I.S. AG)

Guest article (1 | 4)



DR. PAMELA HOERR

„ESG – Development of a corporate organisational framework “



GIULIA PERETTI

When faced with the implementation of ESG requirements, what quickly becomes apparent is the complexity of the topic – primarily because of the numerous interfaces between the different participating divisions throughout a company. This means that structured and cross-departmental ESG management is of key importance. For this reason, we have made the issue of ESG the responsibility of all relevant divisions across the whole organisation.

Above all, this is because ESG is a new and dynamic topic and has become omnipresent throughout the real estate industry. Furthermore, we must also take into account that the relevant regulations are still emerging and that there is no clearly defined procedure to solve many of the issues. It is important not only to keep an eye on current changes, but also to anticipate future requirements. We like to think our ESG organisation is correspondingly “agile, resilient and smart”. There is no one way to build and manage such an organisation. At Real I.S., our experience shows that successful implementation of ESG requirements is based on three dimensions: definition of specific courses of action, co-ordination and the value creation process.

DR. PAMELA HOERR AND GIULIA PERETTI (REAL I.S. AG)

Guest article (2 | 4)

ESG – Development of a corporate organisational framework

Definition of specific courses of action:

In the first instance, the abundance of ESG-related issues must be divided into spheres of activity. This boosts our internal understanding and bundles upcoming projects clearly within the company. In terms of the integration into our existing structures and the definition of new processes and tasks, five headline areas of activity have emerged for us: change, products, portfolio, risk management and transparency. These are supported by five dedicated and inter-disciplinary working groups. In an agile project structure, the working groups have developed the underlying ESG processes and organisational framework – from communication to the integration of ESG requirements into active asset management initiatives. This is used as the basis for the concrete definition and prioritisation of projects over time. In order to gain a holistic perspective on market events and market participants, we tend to instruct external consultants to provide support.

Co-ordination:

Precisely because ESG projects must be implemented holistically involving all departments, this requires central co-ordination, at the forefront of which is our ESG officer who has a direct line to senior management. ESG co-ordination is the centrepiece of our ESG organisation and deals with the ongoing development and implementation of ESG projects, the associated controlling functions and internal and external communication. This central co-ordination is the interface between the two levels of the ESG organisation: the technical operational level and the strategic decision-making level. The strategic level benefits from interdisciplinary input, which enables a differentiated view of complex issues and scenarios for action.

DR. PAMELA HOERR AND GIULIA PERETTI (REAL I.S. AG)

Guest article (3 | 4)

ESG – Development of a corporate organisational framework

Value creation process:

ESG is a multi-dimensional topic which affects not only the various corporate divisions, but also the real estate value creation process. The detailed interrelationships required for the implementation of ESG projects in the various departments and the individual processes are best managed by the respective operational managers. Our ESG organisation provides for at least one member of staff in each department who is the point of contact for ESG-related issues within the department, the so-called ESG co-ordinator . An ESG co-ordinator acts as an interface between the decision-making level and the individual departments. The co-ordinator is also responsible for presenting, introducing and co-ordinating the objectives set by the company management and the decision-makers within the respective departments. There are both regular and ad-hoc meetings in order to network the individual ESG co-ordinators and their activities. This promotes the exchange of ideas vis-à-vis successful projects and also current challenges. This enables them to drive ESG-compliance collectively throughout the company.

DR. PAMELA HOERR AND GIULIA PERETTI (REAL I.S. AG)

Guest article (4 | 4)

ESG – Development of a corporate organisational framework

The first step is the establishment of a well-structured ESG organisation. Success and effectiveness come with the day-to-day implementation of the defined ESG strategy, i. e. by the processing of concrete ESG-related tasks. The fact that the sustainable transformation at corporate level and across the portfolio has become the new norm is now well established throughout the real estate sector. Nonetheless, the acceptance and internalisation of ESG within the team is not simply a matter of course – particularly as ESG is associated with considerable operational effort. Anchoring ESG in the corporate culture in the form of continual activities and communication is a key factor in reducing any initial scepticism about the transformation process amongst staff and creating a common understanding of the challenges. Open and transparent communication is an important building block for driving compliance and motivation. In the long term, this can result in a mind shift towards a company-wide and self-sufficient approach to ESG-related activities.

MADLEN FIEDLER (HANSAINVEST REAL ASSETS GMBH)

Guest article (1 | 3)

Lots of work to do, but a shortage of staff

HANSAINVEST Real Assets

“Property companies must already be capable of taking action in matters relating to ESG. They cannot rely on the labour market alone to cover their increased requirement for specialist staff”.

Madlen Fiedler, Head of ESG and Corporate Services, HANSAINVEST Real Assets GmbH



Other sectors may take a more relaxed approach to the matter of ESG, but anyone active in the real estate industry should not put this issue on the back burner. The property sector's large proportion of climate-relevant gas emissions means it has the full attention of regulators and investors, particularly in the area of "E" (environmental). Those who do not adapt to this in a timely and realistic manner will be threatened with so-called "stranded assets". Property companies must therefore make haste to accumulate competence in the area of ESG and provide the corresponding human resources capacities to tackle this issue.

The work of ESG compliance officers is not only about developing criteria and strategies for purchasing properties and decarbonising the existing portfolio. They must also keep an eye on the ever-changing regulatory environment and ensure that their reporting complies with the latest requirements. The various company divisions must plan, initiate and monitor their ESG-relevant projects.

MADLEN FIEDLER (HANSAINVEST REAL ASSETS GMBH)

Guest article (2 | 3)

Lots of work to do, but a shortage of staff

This makes the range of tasks for ESG officers in the real estate sector highly diverse, but also rather diffuse. The ideal candidate for this role is an all-rounder who is familiar with the entire value creation chain of a property and at the same time has a profound understanding of the technical and legal aspects relating to the complex topic of sustainability. It is important to think strategically, as ESG aspects are increasingly being incorporated into corporate strategies.

At the same time, the ESG officer must be able to communicate and network at a high level because he or she is dependent on data and information from various corporate divisions and will need to manage ESG projects across the various departments. It is clear that the labour market will not be able to satisfy the demand for specialists with the relevant double qualifications over the foreseeable future. Applicants bringing ESG knowledge from other sectors but who are willing to familiarise themselves with property-specific topics have a good chance of success.

Obviously it is possible to train existing staff to become ESG managers. Various institutions such as the German Sustainable Building Council (DGNB) now offer training courses providing the necessary basic skills required. However, qualification is an ongoing process, above all because the regulations are constantly in flux.

MADLEN FIEDLER (HANSAINVEST REAL ASSETS GMBH)

Guest article (3 | 3)

Lots of work to do, but a shortage of staff

The larger the company, the more manpower is required to manage the ESG issue. It is then increasingly efficient for individual team members to specialise and develop specific competences in particular areas. New job profiles are currently emerging, such as ESG risk managers, ESG quality managers and ESG reporting managers. But it is not only in the ESG team itself but also in the other specialist divisions of a company that managers and staff must increasingly acquire at least the basics relating to ESG-relevant topics. These include technical and commercial asset management, portfolio management and project development.

There is some hope that the staff shortage in the ESG segment will tend to ease over the longer term. This is because a number of universities have now included the topic in their teaching programmes – either in the form of modules as part of a real estate degree or a self-contained degree course. But waiting for these graduates to qualify is not an option, as companies must already be able to make decisions and take action on ESG-relevant topics now. Over the next few years, specialist ESG professionals will remain in high demand and companies are likely to focus on the specialist training of existing staff.

CONCLUSION AND OUTLOOK

CONCLUSION AND OUTLOOK

The overall view emerging from the survey results shows that ESG will present the sector with ever greater staffing challenges going forward. On the one hand, this is due to the fact that more and more market participants are having to dedicate themselves to the topic and are thus also dependent on ESG specialists and, on the other hand, the actual optimisation of the greater parts of the portfolios has not yet begun. Based on the available figures, it can be assumed that the demand for ESG experts is likely to be in the mid four-digit range over the next few years.

It appears that in the first instance there will be no new job profiles required on a larger scale. Rather, the sector assumes that existing job profiles can be further modified via targeted training and further education with regard to ESG. However, there will need to be specialisation at certain points, such as in the areas of data management, compliance with regulations and portfolio optimisation. In the long term, it is up to the companies to ensure that the planned ESG positions are adequately filled in time, as there is likely to be a shortage on the human resources market over the medium term. Due to the critical situation, there are three main options for action. The alternatives are a) the training and further education of the company's own staff, b) external appointments via the employment market or c) the use of external service providers/consultants. In our opinion, a qualitatively and quantitatively sufficient deployment of professionally well-versed ESG experts is an essential success factor in the sustainable implementation of the long-term corporate/portfolio strategy. Therefore, in 2023 we will continue to examine how the human resources market and personnel requirements are developing and which aspects play a key role.

If you have any questions, comments or would like to engage in a professional dialogue, please do not hesitate to contact us. We look forward to an interesting exchange of ideas with you!

Finally, we would like to thank all participants and collaborators for their efforts, support and contributions.

CONTACT

Cotecda GmbH
Sebastian-Kneipp-Str. 41
60439 Frankfurt
www.cotecda.de

Markus Franz
+49 (0) 69 50 50 64 135
+49 (0) 151 4043 4947
Markus.Franz@cotecda.de