

The

JLL

INDUSTRIAL BULLETIN

ESG 101

Part 1: What it means for industrial occupiers



What is ESG?

Environmental Social Governance (ESG) ratings and disclosures are evaluations of a company based on a comparative assessment of their quality, standard, or performance on environmental, social and governance issues.



Environmental

Evaluates a company's environmental impact and resiliency against climate risks

Examples

- Energy efficiency
- Carbon emissions
- Water conservation
- Waste diversion



Social

Evaluates how a company manages its relationship with its stakeholders and surrounding communities

Examples

- Diversity, equity and inclusion
- Health and safety
- Responsible procurement
- Training and development



Governance

Evaluates a company's leadership and management policies, levels of transparency, and shareholder rights





Examples

- Business ethics
- Government compliance
- Shareholder democracy

Why ESG is important for industrial occupiers

Industrial real estate is at the backbone of the global economy. ESG pressures are increasing at all levels in the industrial sector, and today's most successful occupiers are pursuing net zero carbon and high ESG ratings to gain a competitive edge among their peers for new business, increased resilience, higher recruitment and retention, and more.

The benefits of investing in ESG

-  Reduce operating costs
-  Reduce waste and carbon emissions
-  Attract and retain talent
-  Human health & wellness
-  Market differentiation
-  Improve human value proposition

Key takeaway

ESG is likely to play a bigger role in how companies are assessed by investors, consumers, policy makers and company stakeholders. And soon, **measuring and reporting your impact may be a requirement**. Plus, financial incentives have never been better.

Compliance may soon be a requirement

In spring 2022, the Securities and Exchange Commission (SEC) proposed a new set of regulations to increase transparency for investors. The rules, as proposed, would require companies to provide ongoing reporting and disclosures of climate-related risks, emissions and net zero transition plans.

While every investor will look at this information differently, it could make or break whether they invest in your company, or lead to more scrutiny over which elements impact the economics of your business.

The cost of inaction is greater than the cost of action

While capital challenges exist, studies show that the cost of inaction far outweighs the cost of compliance and making ESG a priority. Occupiers that invest in ESG see benefits in various aspects of their business – from recruitment and retention, to cost savings, to overall sustainability goals.

87%

of industrial employees consider health and wellness when selecting employers

Occupiers adopting net zero carbon commitments are expected to

more than double

between now and 2025

60%

industrial workforce turnover in 2020

80%

improvement in access to favorable financing and capital investments for assets with sustainable strategies

Questions to ask to kickstart your ESG journey

- Do you know what your corporate sustainability goals are?
- Do you have a dedicated ESG or sustainability stakeholder in your organization?
- Do you have carbon neutrality goals (net zero carbon)?
- What are your pain points around sustainability in your real estate portfolio?
- How do you compare to your competition?
- How is sustainability infiltrating your business development efforts?
- Do you have a data management platform in place to track your organization's utility consumption or energy usage?