Why ESG will be at the front and centre of the built environment sector in 2023

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Synopsis
Global population trends show that people are moving rapidly and in greater numbers to urban centres. This places increased pressure on infrastructure to deliver equitable access to quality services and a healthful standard of living.

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The built **environment** has always been extraordinarily influential in shaping human lives, health and wellbeing, but never has technological advancement and ethical finance been so central to facing today's challenges. Global population trends show that people are moving rapidly and in greater numbers to urban centres. This places increased pressure on infrastructure to deliver equitable access to quality services and a healthful standard of living. Likewise, intensification of urban living has consequences for our efforts to combat **climate** change with buildings and construction already accounting for almost 40% of global carbon emissions. The concentration of populations into smaller geographic footprints also intensifies sources of pollution in air, water and solid waste

In this context, it is clear that everyone working in the built environment from

New York to New Delhi has a vital role to play in delivering a better future on the issues that matter to all of us. This year could be a turning point for the industry if we are prepared to take the bold action that is so urgently needed, whether on delivering quality affordable housing and infrastructure to all who need it, or catalysing action towards achieving net zero carbon and meeting the UN Sustainable Development Goals by 2030.


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Despite efforts by some to revert to a strict profit-focused business model, Environmental, Social and Governance (**ESG**) programs that have grown across the investment and development communities in recent years are not going away any time soon. This can only be a positive trend, as recent disruptions to the global energy supply and increasing energy costs evidence the need to improve efficiency.

The latest RICS **Sustainability** Report showing data from a survey of 4000 property professionals suggests the sector is embracing a **green** agenda. Contributors noted that occupier and investor demand for green buildings continues to rise worldwide, with appetite for green real estate specifically rising in the Asia Pacific region. But the study also revealed important gaps where progress is needed. A significant share of respondents stated that they make no routine measurement of carbon emissions, with a lack of established standards, tools, databases, and guidance seen as key obstacles to reducing emissions. The International Cost Management Standard developed by the ICMS coalition and the Built Environment Carbon Database can help address this problem, by providing a consistent basis for measurement and action. Additional tools and guidance are needed to make this happen, with further collaboration, data and knowledge sharing also required if we are to meet our ambitions goals for carbon reduction.

Lack of quality and affordable housing also remains a global concern. McKinsey found that nearly 1.6 billion people could be impacted by global housing shortages by 2025, rising to 1.7 billion by 2030 and 1.8 billion by 2035. Technological advances such as 3D printing and modular construction methods can help cut costs and improve timelines. A new building system approved by the Indian government that converts waste material into prefabricated panels is an example of innovative action that can help deliver affordable homes at scale. Public-private partnerships will remain key, but we have to move toward a private industry solution to truly improve speed-to-market.

Novel financial vehicles and flexible urban planning policies are also needed to encourage strategic land allocation and development of green homes. Examples of these initiatives include The Sustainable Finance Disclosure Regulation (SFDR), Task Force on Climate-Related Financial Disclosures (TCFD) and the International Sustainability Standards Board (ISSB) by the IFRS Foundation.These aim to encourage greater transparency helping channel investment to support socially conscious business strategies. This trend will likely gather pace in 2023, a scenario RICS welcomes and will continue to prioritize in its regulation of professional conduct and ethical practice.

It is now apparent that the climate crisis will continue to drive displacement of communities. Providing assistance and protection for climate refugees will become increasingly important, and the property sector can play its part by scaling up preparedness and prevention. Design and development of climate resilient structures and building adaptive capacity will be critical, but success depends on local communities and stakeholders having a voice and the power to deliver the change that works for them.

While the challenges we face are great, professionals in the built environment have the ingenuity and compassion to make a real difference for those we serve. I have every confidence that together we will apply the best of our talents to delivering our shared goal, of a more resilient and sustainable future.