

*“If sustainability is the journey, then ESG is how we measure progress”*

“A business imperative.”



Environmental. Social. Governance.

Colorado Association of Realtor® #SpringSummit2022

Presenter: Ryan Frazier, CEO, Frazier Global

Fundamentals of Sustainability Accounting (FSA), Series 7, Series 63

April 20<sup>th</sup>, 2022



# Our Conversation



What is ESG &  
so what?



Examples of ESG  
People. Planet.  
Economy.



Relevancy to  
Realtors and the  
Real-Estate  
industry



Purple Report  
ESG insights  
and a few  
Suggestions  
for YOU

# ESG is Everywhere...

The growth of ESG has been spurred by increased focus on risk management, efforts to capitalize on market opportunities, and rising interest on the impacts on society.

Real Estate's economic impact has long been foundational to society, but its social and environmental significance is now emerging as value drivers with implications for access to markets, the planet, and social contract that ties us all together.

**BlackRock** About Us Newsroom Insights Investor Relations Corporate sustainability Careers

LARRY FINK'S 2022 LETTER TO CEOs:

## The Power of Capitalism

**pwc** Featured insights Capabilities Industries

Home > Capabilities > ESG services and strategy

ESG services and strategy

## Create value through ESG

Report | Intelligent Investment

# ESG and Real Estate: The Top 10 Things Investors Need to Know

A Turning Point for ESG

# What the... is ESG?

## 01

### Sustainability

Sustainability is the evolution of long-term value creation for people, planet, and the economy

## 02

### Measurement

So, if sustainability is the journey, then ESG is how we measure our progress

## 03

### Risk & Opportunity

ESG is the integration of three material risk and opportunity factors that affect a company, investment, or government's value creation, financial performance, cost of capital, and ultimately impacts on communities

## 04

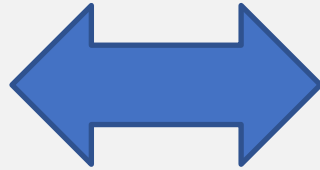
### Integrated into Economy

They include Environmental, Social, and Governance policies, standards, practices, and metrics

# “Double Materiality”



Impacts to enterprise  
value of business.  
Investment, organization  
(both financially and non-  
financial)



Business/organizational  
impacts on communities  
and external  
stakeholders



## Why is ESG becoming a bigger deal? It Matters.



Larry Fink, the CEO, of the world's largest asset manager, Black Rock, says we are seeing a tectonic shift in capital towards ESG across all asset classes – public equity, fixed-income/bonds, private markets

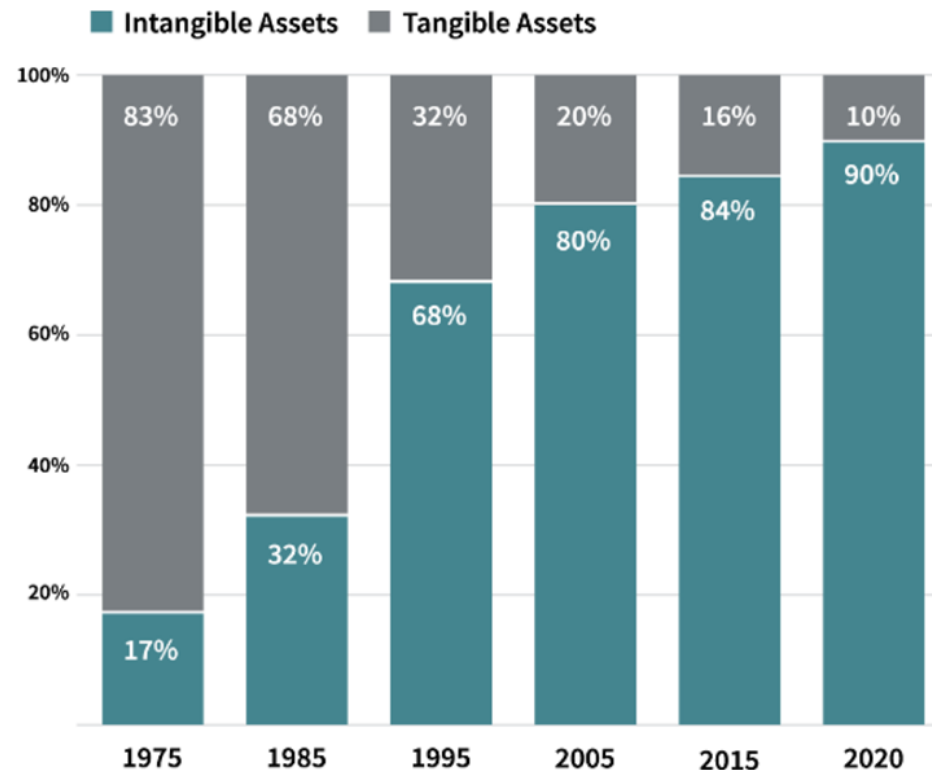
- Globally, sustainability is rated as an important purchase criterion for 60 percent of consumers. In the US, this number is just over the global average at 61 percent per *the Global Sustainability Study 2021* – CUSTOMER DEMAND
- According to Morningstar, 72% of U.S. investors have expressed interest in sustainable investing – INVESTOR DRIVEN
- According to MSCI, research indicates that ESG has affected the valuation and performance of companies – CORPORATE PERFORMANCE
- S&P Global, Government Finance Officer Association (GFOA) says issuers of securities should be aware that there could be credit rating differentiation depending on their approach to addressing ESG factors – COST OF CAPITAL
- Increasingly, business and governments social license to operate are linked to – IMPACTS ON COMMUNITIES
- US SEC and other state and local agencies, in order to protect investors, consumers, workers, the planet are moving towards - REGULATIONS

# ESG performance and data is changing business and government's long-term value

## Changing Nature of Valuations Expands the Information Needs of Investors

**Growing consensus that ESG factors can influence long-term risk and returns**

Components of S&P 500 Market Value



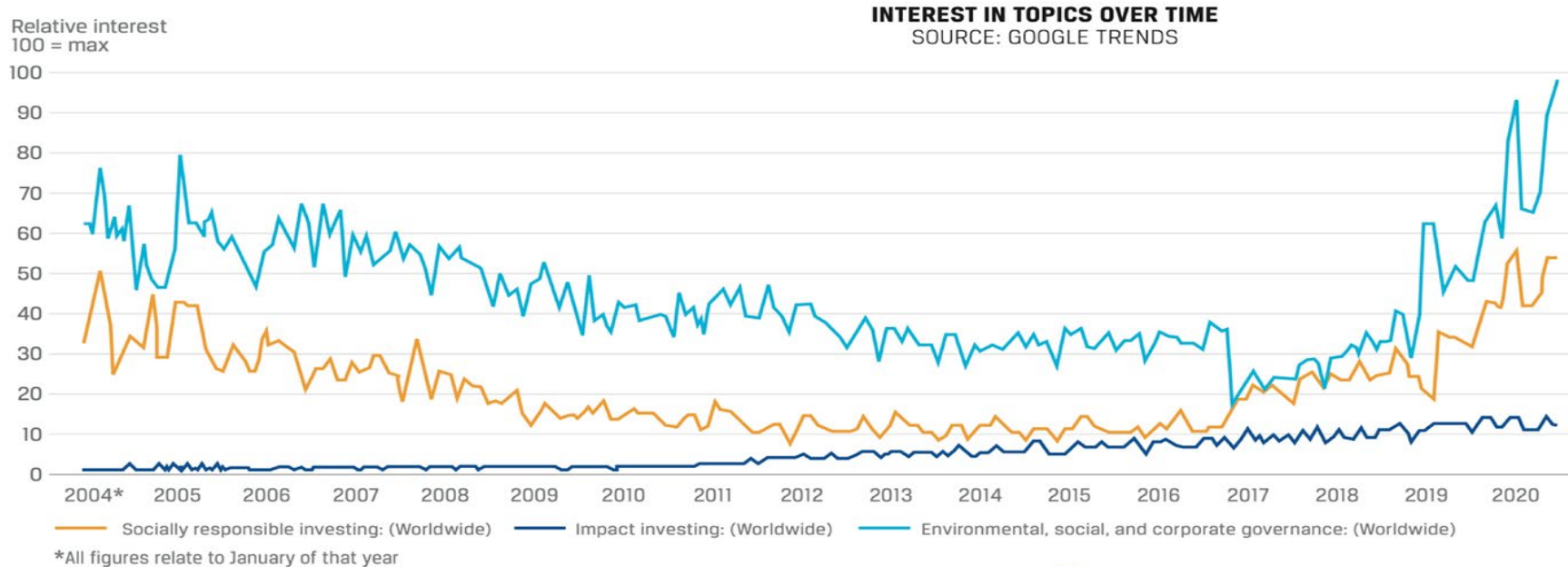
Source: Ocean Tomo, *Ocean Tomo's Intangible Asset Market Value Study*, November 2020.

- Intangibles, such as intellectual capital, brand value, customer loyalty are increasing components of corporate valuations
- Investors are exposed to risks from relatively infrequent, but high impact ESG-related events (e.g. safety incidents, ethics scandals, natural resource shortages)
- ESG factors can give forward looking insight into performance and risk



# Just follow the....investors....

## A Brief History of Investor Interest in Sustainability and ESG

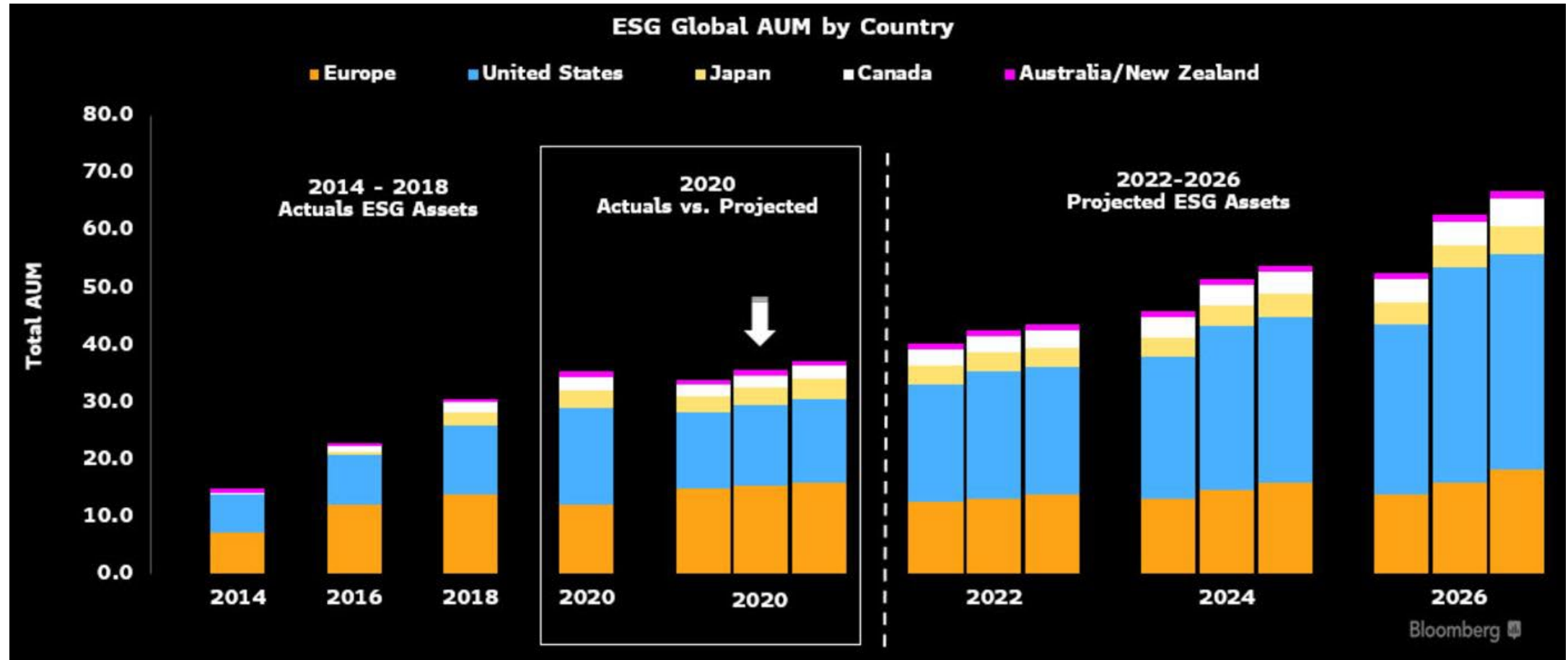


Source: CFA Institute: "Future of Sustainability in Investment management" <https://bit.ly/3wow7hc>





# ESG Assets



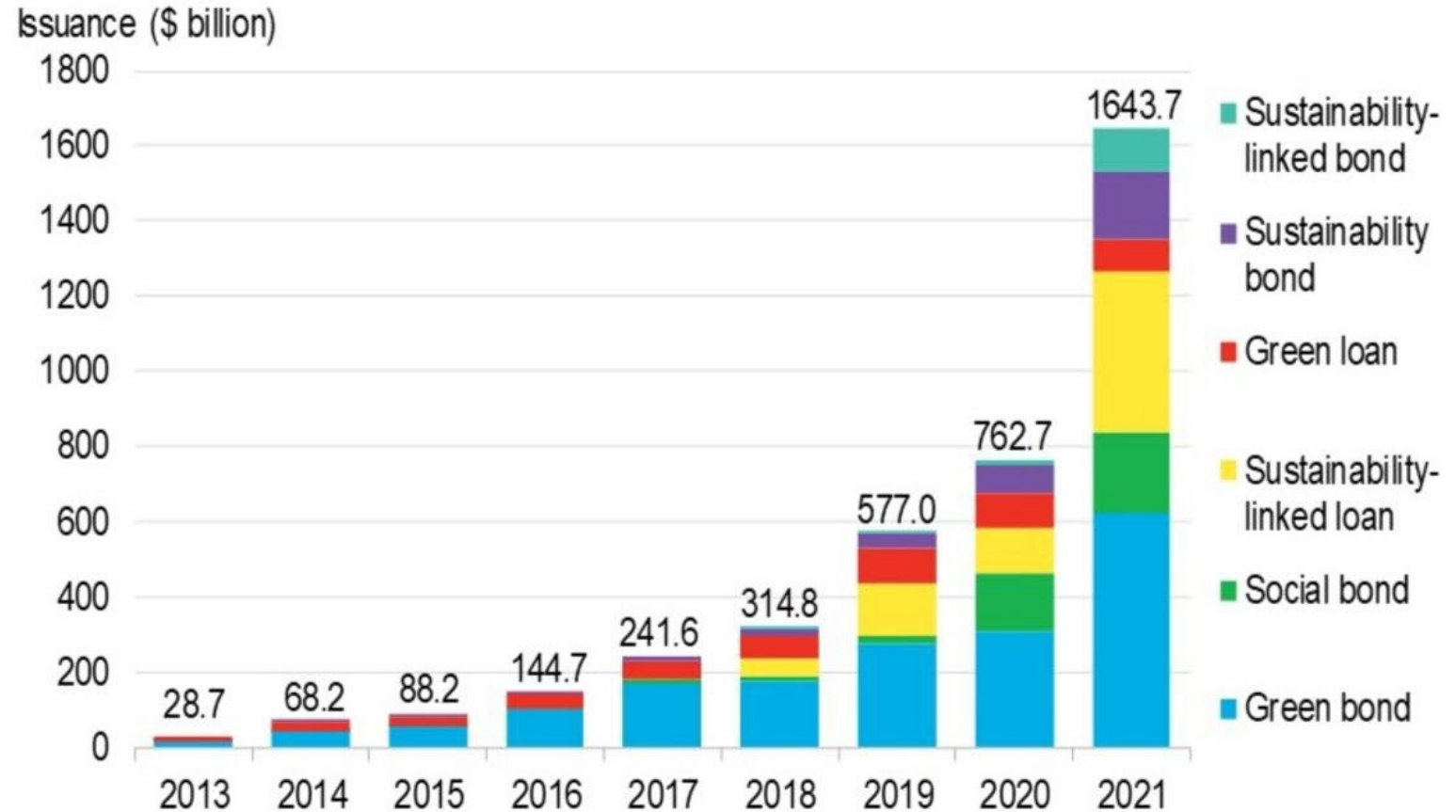
Source: Global Sustainable Investment Alliance, Bloomberg Intelligence

ESG assets are set to balloon to \$50 trillion by 2025 (more than 1/3 of projected \$141 trillion in global AUM) from about \$35 trillion in 2021, according to estimates from Bloomberg Intelligence. Approximately 40% growth in the U.S which is at approximately \$17 trillion with acceleration continuing...

# Debt Markets

ESG equity markets have been the primary focus but sustainable debt is soaring as well

- \$1.6 trillion issued in 2021
- \$4 trillion total
- Expected to rise to \$11 trillion by 2025

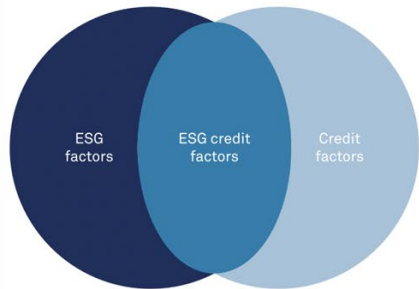


Source: BloombergNEF

# ESG is increasingly used by Credit Rating Agencies - affecting Cost of Capital

According to S & P Global...

The Intersection Of ESG And Credit



ESG--Environmental, social, and governance. Source: S&P Global Ratings.  
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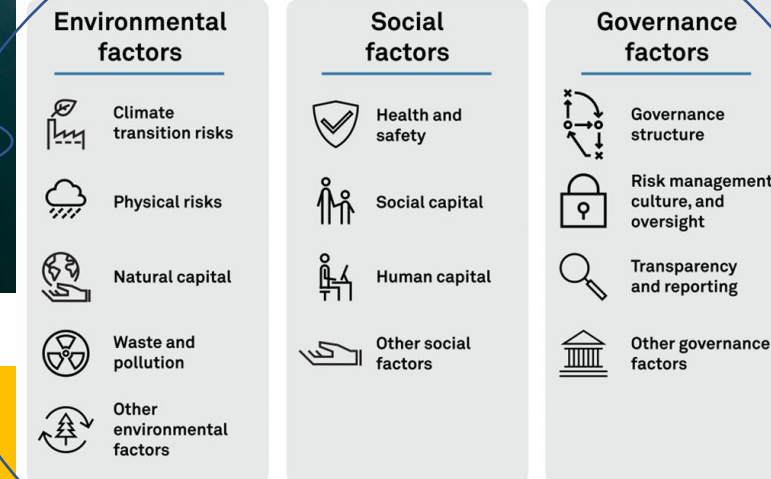
When sufficiently material to affect our view of creditworthiness, ESG credit factors can influence credit ratings through, for example:

- A change in the size and relative stability of an obligor's current or projected revenue base,
- Operating costs and requirements,
- Risk planning,
- Governance controls and standards,
- Profitability or earnings,
- Cash flows or liquidity, or
- The size and maturity of its financial commitments.

7. The following are examples of key ESG credit factors that have affected creditworthiness or that, in our opinion, may influence future creditworthiness. Some events may relate to more than one of the ESG credit factors.

Chart 2

Examples Of ESG Credit Factors



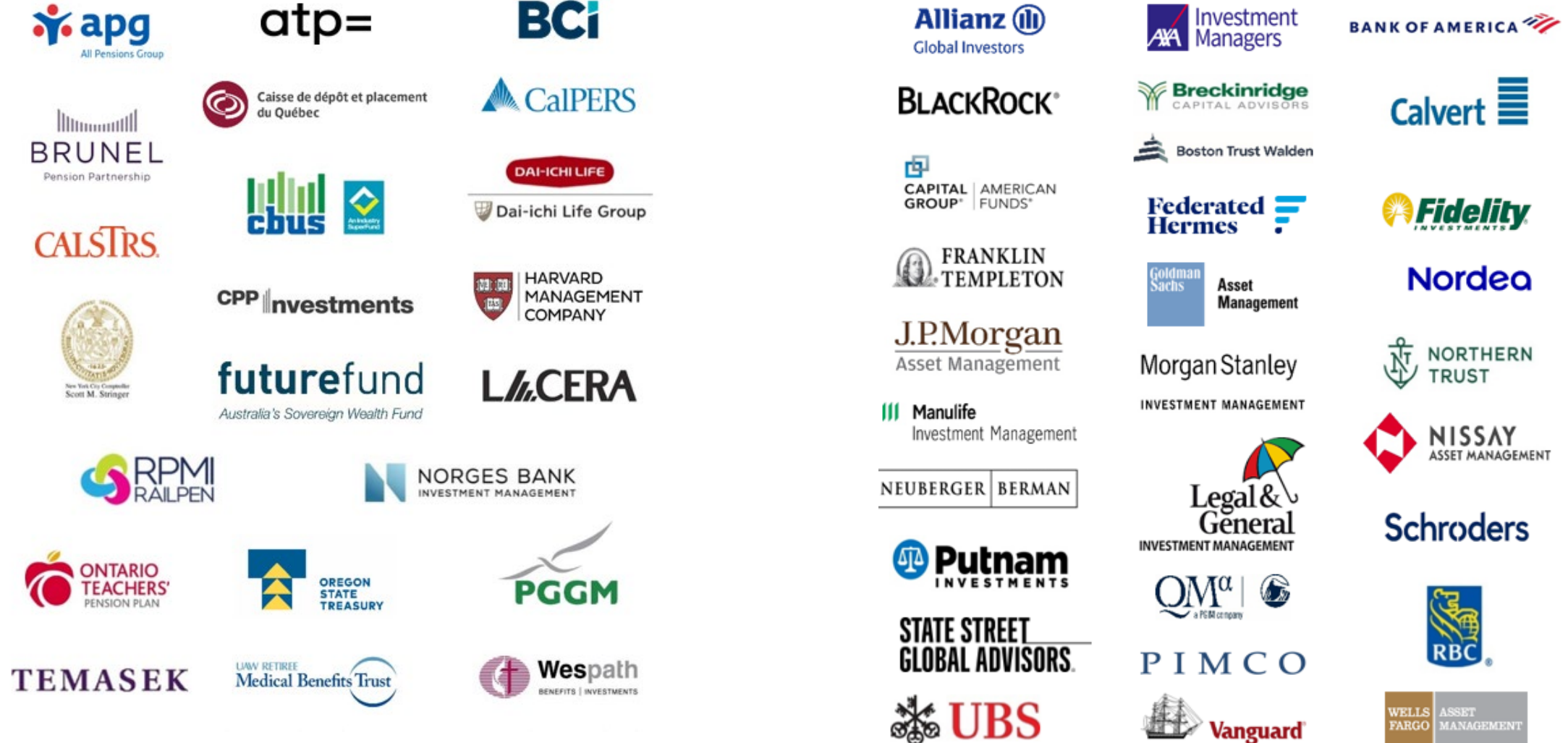
ESG--Environmental, social, and governance. Source: S&P Global Ratings.  
Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

Examples of key ESG credit factors

# Sample list of Institutional Investor adopters

## Asset Owners

## Asset Managers





# Sample list of Corporate adopters

Corporation (partial list)				
				
				
				
				
				
				
				

# Sample of general ESG issues: They aren't NEW!

## Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

## Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



## Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

## Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

## Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

# ESG Live



**Healthcare  
Realty**

Energy Consumption



**JobSiteCare**

Health & Safety



**Okta**

Data Privacy & Security



**McKinsey &  
CO**

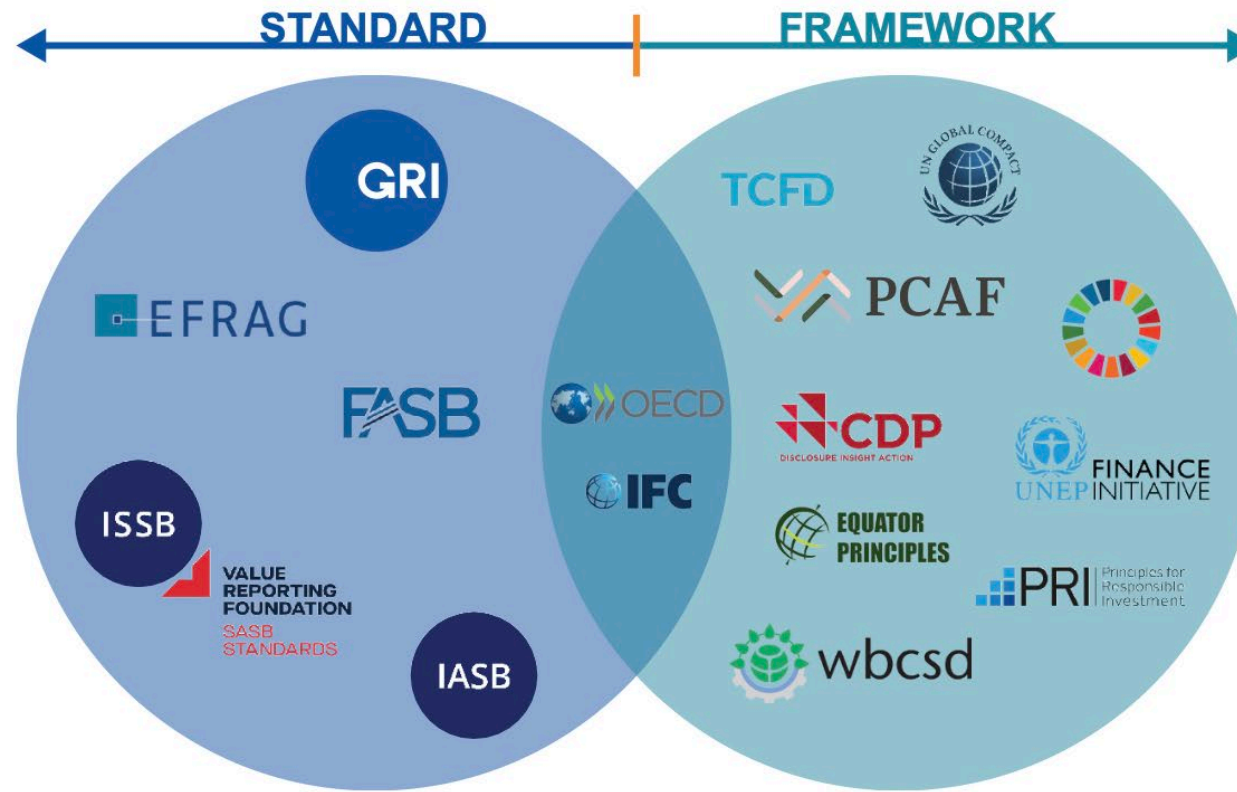
Employee Engagement & Purpose



**Home Value**

Climate Change

# ESG ecosystem of rankers, raters, standards setters & frameworks



## RANKERS & RATERS

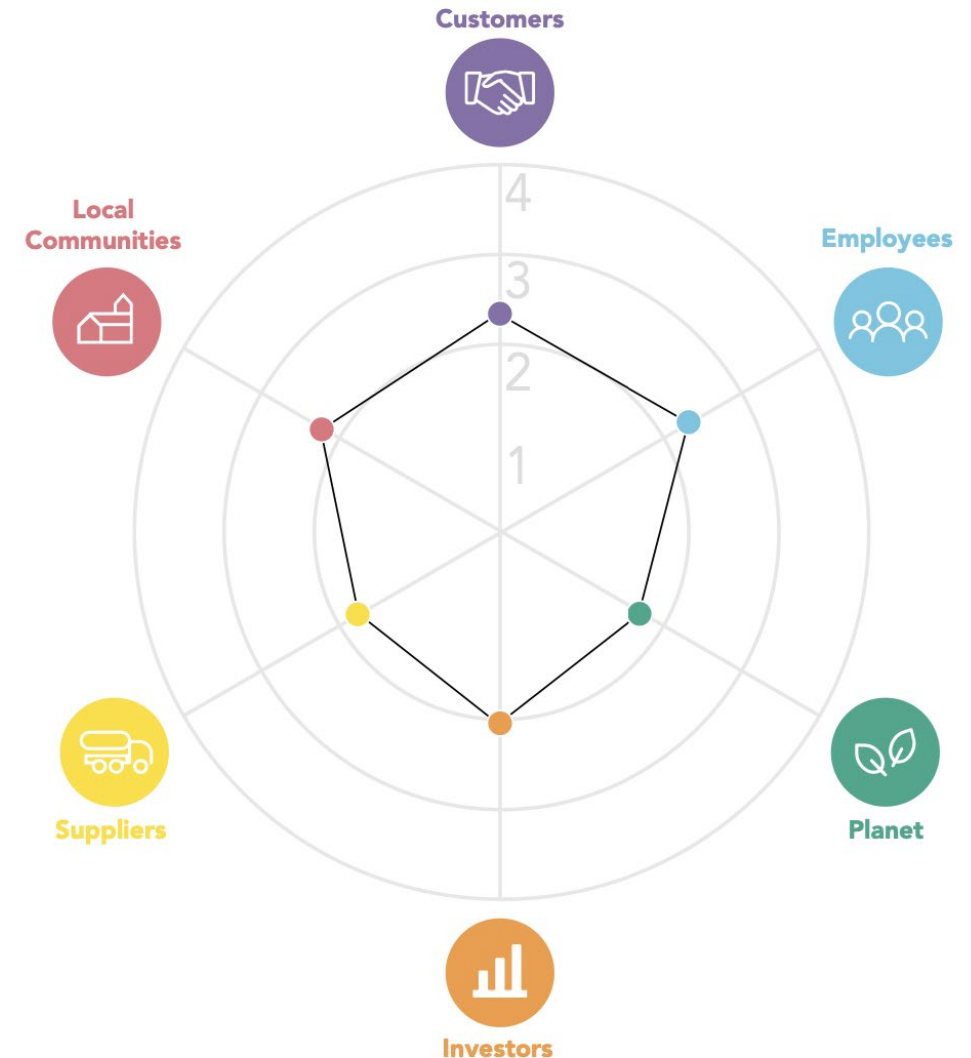




A key to ESG is understanding the most important ESG issues to your business and industry and the most impactful factors for your relevant stakeholders (internal and external)

Stakeholders can care about a number of issues including but not limited to:

- physical impacts of climate change
- health and safety of the workforce
- supply chain management
- data security
- sustainability of products & services,
- ethics
- water consumption
- approach to handling risks
- waste management
- supply chain management



# Why should Realtors care about ESG?

- Benefits include increased opportunities for growth (new markets), resilient financials, and stronger stakeholder (clients, Gov't, community, investor) reputations
- This in turn increases the chances to attract clients and talents



## Valuable Expertise

For your profession,  
customers, regulators, and  
community

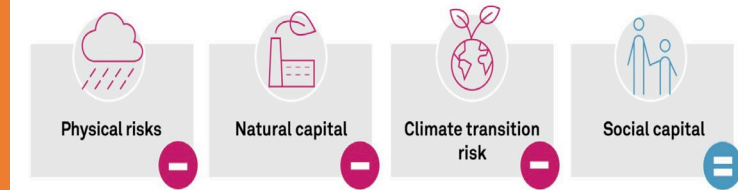


## Awareness

Leaders have to be in the  
know

## ESG Risks And Opportunities For Mountain States

S&P Global  
Ratings



Source: S&P Global Ratings.



## Market Opportunities

Changing demands of  
customers and investors



Purple Report is a market and public opinion research project and service that measures the awareness, attitudes, and impressions of environmental, social responsibility, corporate governance, “ESG” practices, standards, and policies among different populations

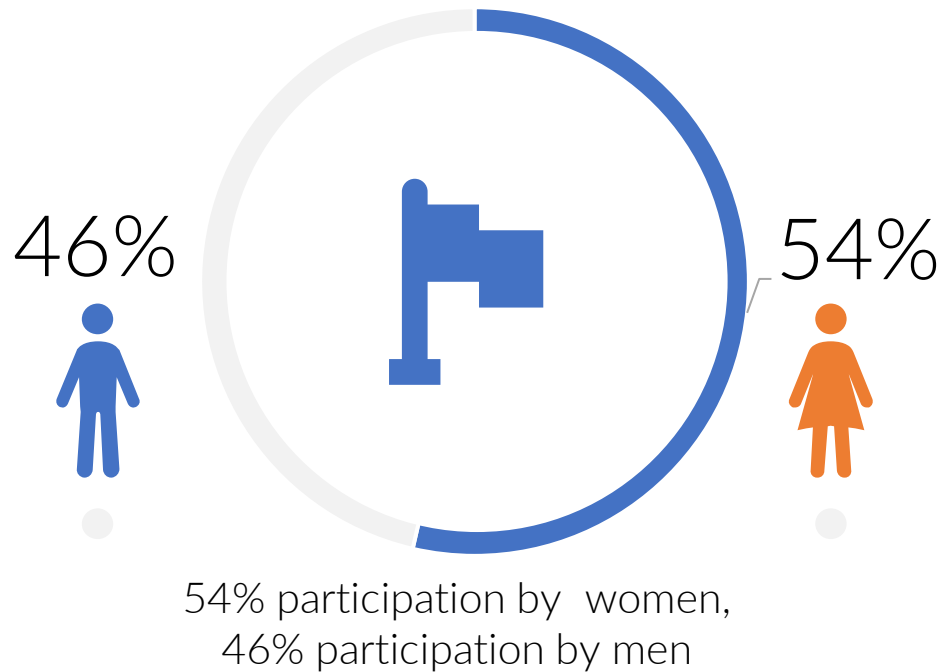
# Survey Demographics

## 703 Respondents

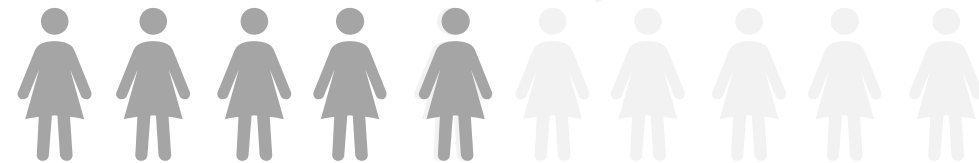
April 3<sup>rd</sup> - 9<sup>th</sup>, 2022

Age:

54+	= 98	13.94%
45-54	= 95	13.51%
35-44	= 207	29.45%
25-34	= 178	25.32
18-24	= 125	17.78%



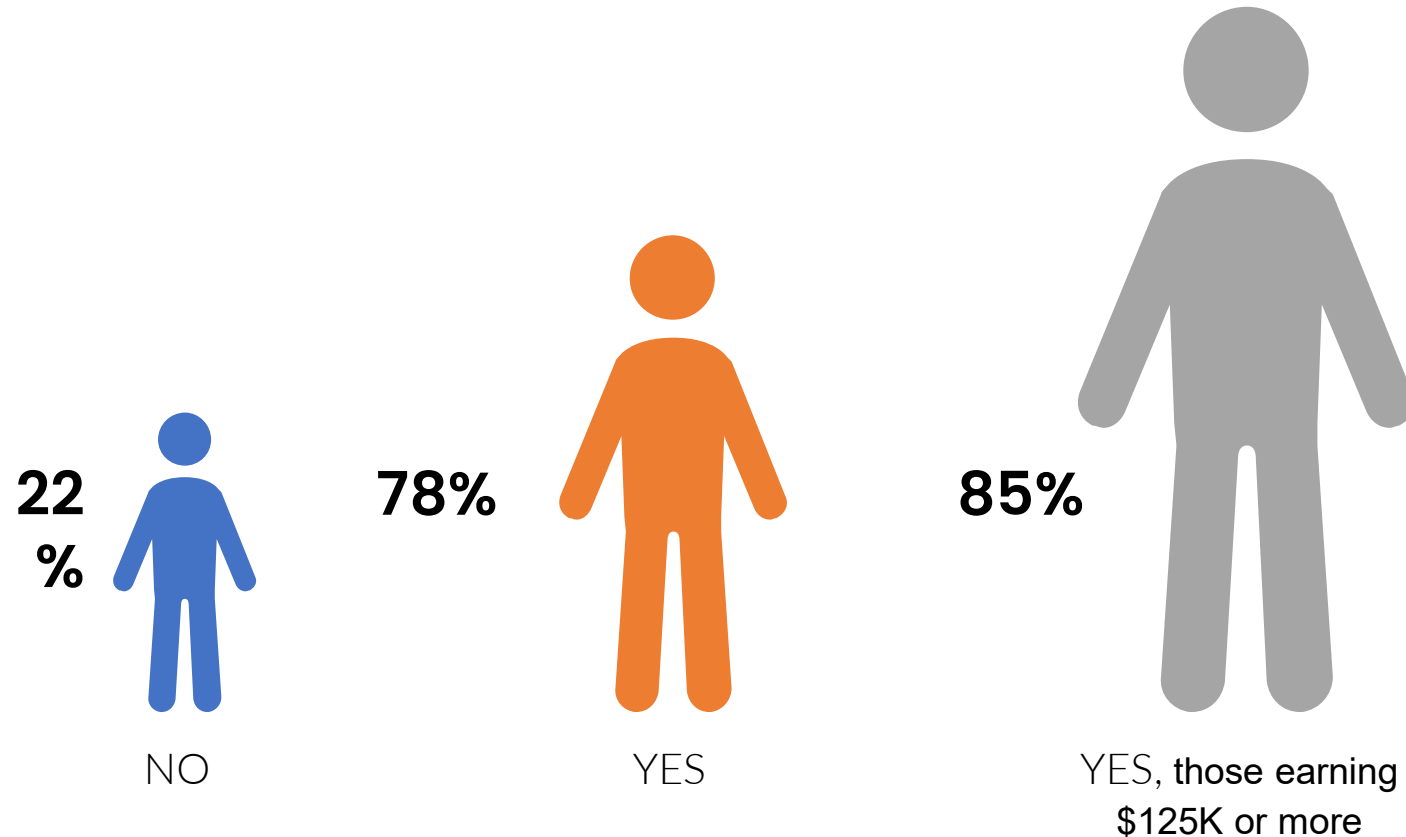
**51% CO**  
**49% US/other**





# Key Findings

Do you think Realtors® should be familiar with and able to effectively communicate sustainability housing practices and their long-term value to you as a homeowner or potential homeowner?



# Key Findings

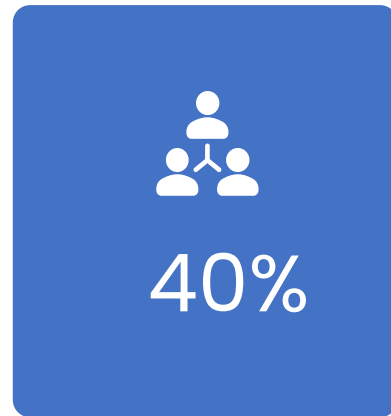


Rank these factors in order of priority you believe will determine the long-term value of your home or future home?

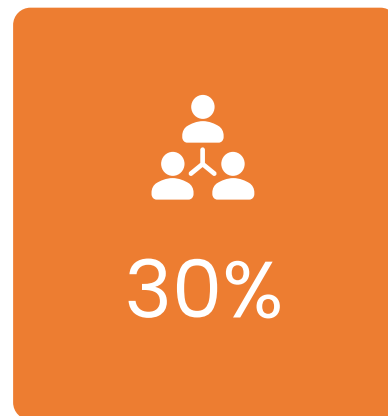
Factor	Mean Overall	Non-Colorado Residents
Local Crime Rates	6.17	5.61
Building Quality of Home	6.08	5.53
Water & Energy Sustainability Features	5.8	5.63
Local Schools	5.66	5.68
Community Reputation	5.55	5.37
Area Job Market and Economic investment	5.54	5.58
Neighborhood Parks and Recreation	5.51	5.6
Smart Home Technologies	5.03	5.18
Climate Change	4.84	5.54
Diversity of Neighborhood	4.81	5.29

# Key Findings

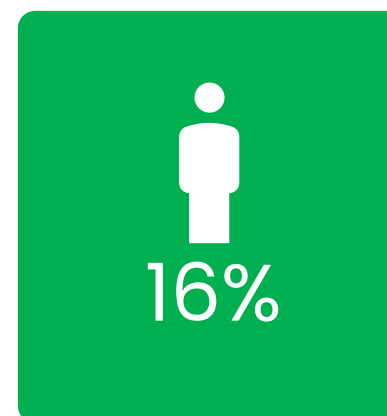
Are you more likely or less likely to work with a Realtor® who has a proficient level of knowledge and training on sustainability and sustainable housing practices when it comes to buying, selling, or investing in a home?



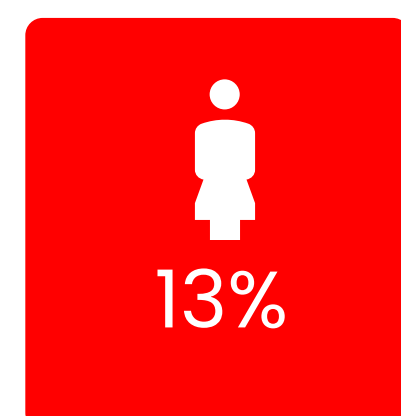
Yes, much more likely



Yes, somewhat more likely



No, it makes no  
difference in my  
decision



Unsure / No Opinion

# Key Findings



Would you support or oppose a policy or law that would provide tax incentives to homebuilders and homeowners who build or renovate their homes with eco-friendly materials, use smart technological heating or ventilation, or use more renewable energy?



Total Participants Strongly or  
Somewhat Support

**71%**



Of those ages 35-44 Strongly  
or Somewhat Support

**77%**



Of African American  
participants Strongly or  
Somewhat Support

**47%**



# Key Findings



Inclusive communities that have characteristics like mixed-income housing are viewed by some as best practice for bringing people from different backgrounds, races, incomes, and ages together for stronger communities. Knowing this, are you more likely or less likely to own or purchase a home in a mixed-income neighborhood?



**11% Much Less Likely**



**16% Somewhat Less Likely**

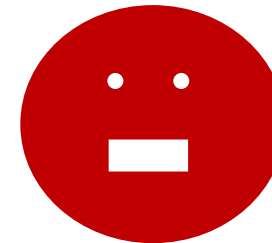


**35% Somewhat More Likely**



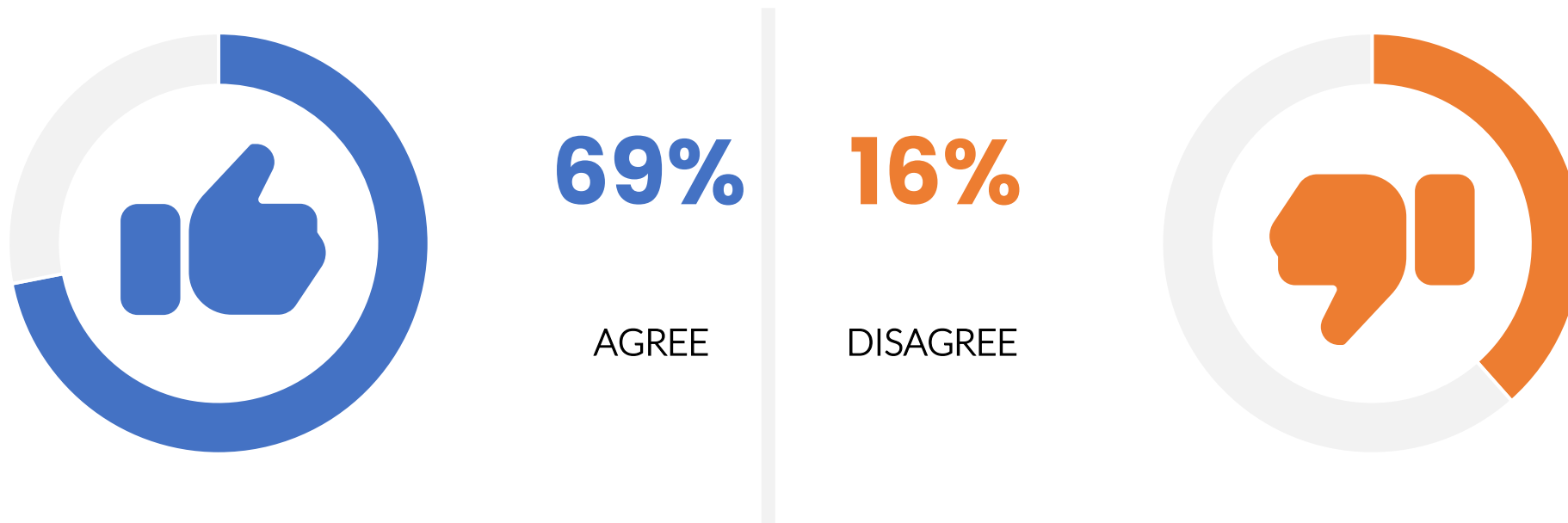
**23% Much More Likely**

Nearly 37% of those 54 years and older say they are Less Likely



# Key Findings

Do you agree or disagree with the viewpoint that Colorado Realtors® should have policies and practices publicly available that disclose their approach to ethical behavior and transparency of potential conflicts or business practices?



**15% Unsure or No Opinion**

# Key Findings



Do you agree or disagree with the viewpoint that as the number of severe weather conditions, droughts, wildfires increases due in part to climate change, and with the potential risk to homes and commercial properties, Realtors® need to be helping provide solutions that address climate change risks?



**67% Agree**

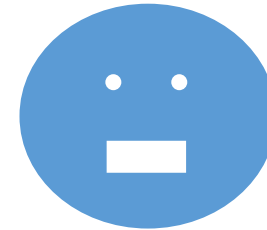


**22% Disagree**



**11% Unsure/No Opinion**

80% of those ages 18-24 Agree



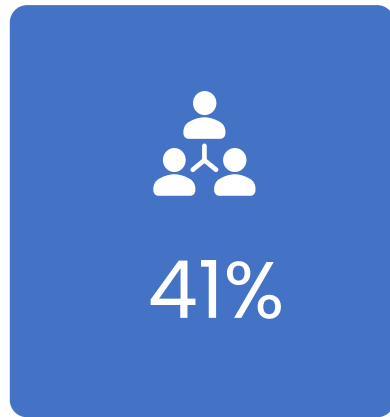
79% of those earning 150K or More Agree



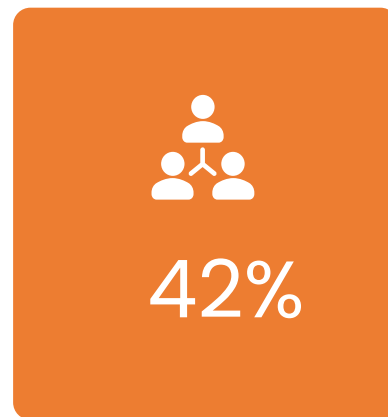
# Key Findings



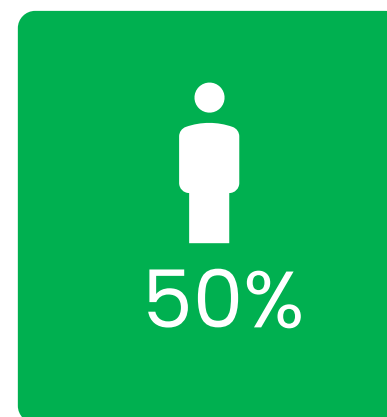
Do you think Realtors® and their companies do enough to demonstrate their policies, practices, and performance around addressing environmental concerns and making positive social impacts?



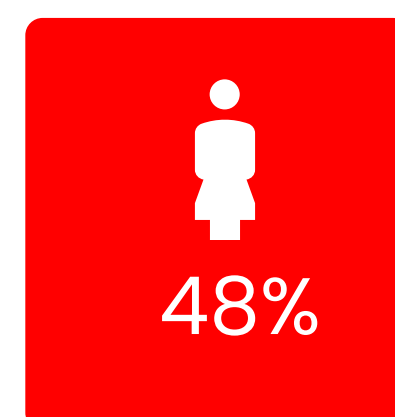
Realtors® DO Enough



Realtors® Don't DO  
Enough



Of Men say Realtors®  
DO Enough



Of Women say  
Realtors® DON'T  
DO Enough

# Key Findings



On a scale of 1 to 5, with 5 being VERY important and 1 being NOT important at all, please rate the importance of the following business practices for Colorado's housing market to YOU.

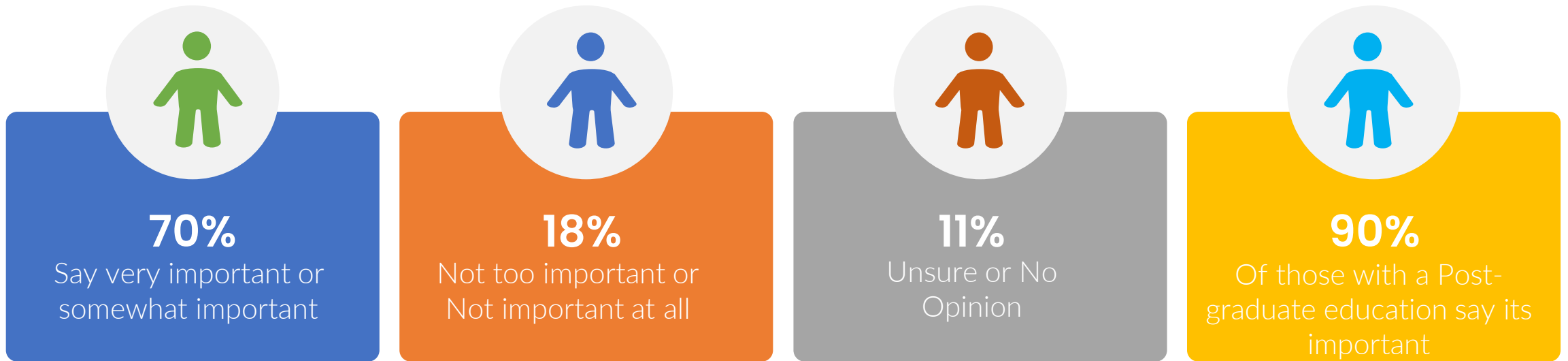
	5	4	3	2	1
More affordable housing options	45%	22%	17%	7%	10%
Homes with more water efficient toilets, appliances, and landscaping	35%	28%	20%	9%	8%
Houses that use less energy	40%	22%	20%	10%	9%
Public-Private partnerships that support rehabilitation of abandon homes and deteriorated public spaces	25%	28%	27%	10%	10%
Housing that uses more renewable energy	37%	26%	18%	9%	9%
Protection of your personally identifiable information used for Real Estate transactions from Cyber theft	42%	25%	15%	8%	9%
Ethical and transparent Real Estate professionals	44%	24%	16%	8%	9%
The health and safety of those that work in the Real Estate industry	33%	27%	19%	11%	10%



# Key Findings



How important is it to you, when owning or purchasing a home, that you know the home's energy rating and water efficiency?



# Key Findings



Online platforms like Redfin, Zillow, and OpenDoor are becoming more popular as a way to buy or sell your home while avoiding Realtors® fees. Realtors® are adapting to provide greater value. Are you more or less likely to choose a Realtor® over an online platform when the Realtor® provides you trusted expertise on things like community insights, price negotiation, and water & energy features?



Total Participants MORE Likely

**63%**



Total Participants LESS Likely

**22%**



Of those with undergraduate or post-graduate say MORE Likely

**72%**

# Conclusions



- A. Sustainability and environmental, social, governance (ESG) factors are of increasing importance to a range of stakeholders
- B. The support for sustainability/ESG spans every demographic
- C. Realtors® would be well served by dramatically stepping up efforts to become better educated and equipped
- D. Realtors® should integrate both the use of technology with their expertise and the local knowledge needed by homeowners
- E. Matters like housing affordability and inclusive communities continue to be an issue that requires solutions
- F. The transparency and ethics of Realtors® stood out as characteristics home buyers and sellers want
- G. 3/4<sup>th</sup> of respondents believe that Realtors® should be familiar with and able to effectively communicate sustainability housing practices and their long-term value, this report urges greater adoption by the Realtor® community and its state and local associations.

# From NAR's 2021 ESG + R Report



## PURPLE REPORT

***Overall, a substantial majority of respondents, 78% think Realtors® should be familiar with and able to effectively communicate sustainability housing practices and their long-term value to them as a homeowner or potential homeowner.***



## LOOKING AHEAD

“We have a phenomenal opportunity to effect change based on the environmental and economic footprint REALTORS® can have in their markets, which is why I look forward to leading on sustainability in 2022.”

★ We must integrate a culture of sustainability throughout our association and industry. By building a resilient real estate market today, we can create healthy, vibrant, and diverse communities for generations to come.

— Leslie Rouda Smith  
2022 NAR President

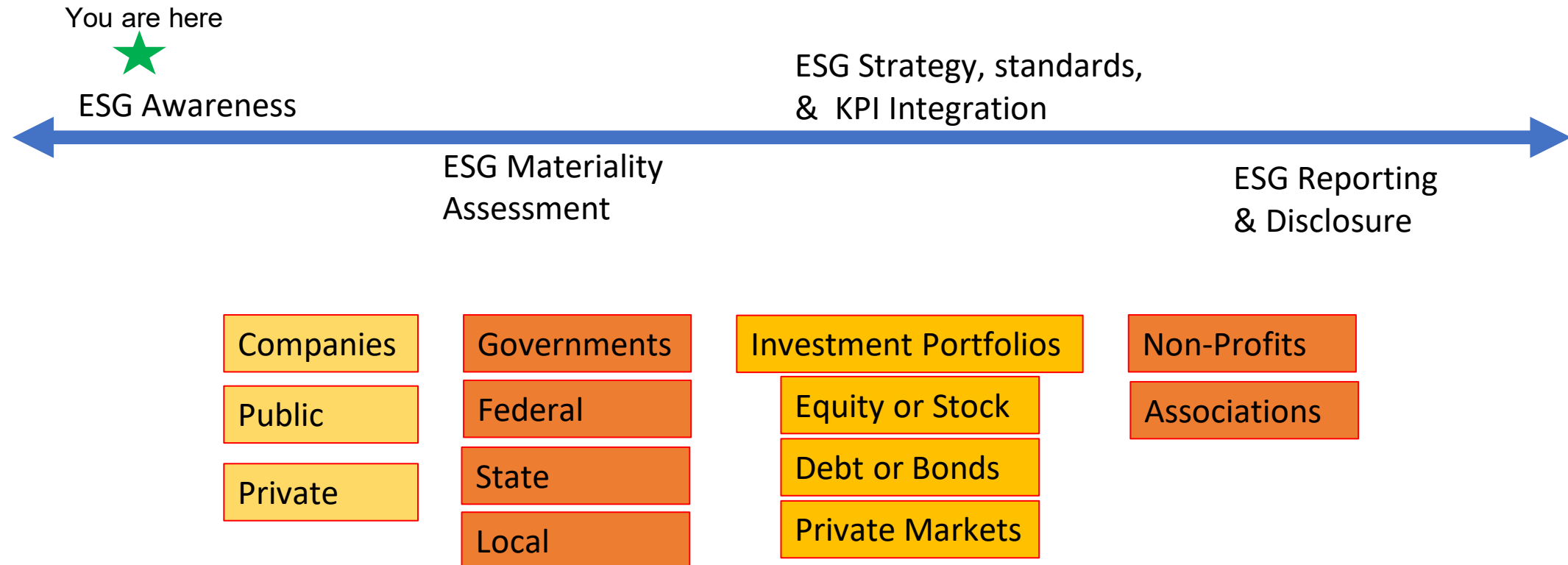
“Under all is the land” is the preamble to our very own Code of Ethics. We have a moral and societal obligation to our members, our clients, and our communities to lead the effort to stabilize and preserve the land we live on and the environment that sustains our very own lives. We also have a responsibility to improve the value and comfort of the properties we represent and transact. Improving the value and comfort of properties, creating resilient communities, and protecting the environment are essential to our survival. We need places to thrive, places to call home in order to assure that the future of this very organization continues the work we do to build a better place to live and create wealth.

— Todd Shipman, REALTOR®, 2022 Chair,  
Sustainability Advisory Group, Minneapolis, MN



# ESG Continuum – Where are you?

Growing application across businesses, investments, and governments







**Frazier Global**  
Excellence. Everywhere.

## Suggestions for CAR Strategic Committee, Board, and Staff

- 1. Continue to raise awareness and ask questions about the relevance of Sustainability and ESG to yourself, fellow Realtors® and state & local association**
- 2. Think more strategically; consider establishing a Sustainability/ESG Advisory Committee for both residential and commercial concerns**
- 3. Call to action: Don't just follow, Lead YOUR industry - integrate sustainability and ESG into the association, your businesses, and toolkits – focus on value creation, financial performance and impacts on communities**

# Questions?

Thank you for your leadership!

Ryan Frazier, CEO and Managing Principal,

**Frazier Global**

Management and ESG Advisory

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**Ryan Frazier**

