



ESG Best Practice Guide

Version 1.0 | Created March 2022



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Objectives



The focus of the UKAA is to grow the UK Build to Rent sector and our members' businesses faster than would happen otherwise. We will do this by:

1. Sharing knowledge
2. Raising standards
3. Focusing on our customers

The following priorities were set by the UKAA board in Summer 2019 and ratified by the Strategic Advisory Group (SAG) in May 2020. These priorities are used to determine the activities of the UKAA.

1. Identify and promote leading operational practices
2. Help BTR operators/UKAA members attract and grow talent
3. Define and advocate the BTR value proposition and the sector's economic and social impact to stakeholders including government and consumers
4. Promote BTR knowledge among suppliers, investors, regulators and educators

As a UKAA working group we have been asked to prepare a template/roadmap of how we should guide our members to achieve a “best practice” with ESG in the BTR sector. This will lead to a more comprehensive UKAA-wide best-practice approach that will benefit customers, funders and team members.



What is ESG?



ESG is the acronym for **Environmental, Social and Governance**. The three broad categories or areas of interest are generally termed as “being socially responsible” for all businesses.

ESG emerged in 2005 in the UN report ‘Who Cares Wins’. Its predecessor, Corporate Social Responsibility (CSR), shares a common origin, that is the adoption of practices and policies by businesses that are intended to have a positive influence on the world. ESG is the evolution of CSR, however there are distinct differences. Whilst CSR aims to make businesses accountable, ESG seeks to make their efforts measurable. Now, not only traditional metrics are reported against. Climate-related risk and responsible investment strategies are also taken into consideration. ESG ushers in high levels of corporate transparency.

ESG within the BTR sector is a critical element of the entire approach made towards the funding, design, build, and operations of our buildings to ensure better environmental and social impact on our communities.

Opportunities brought forward by a greater knowledge and awareness of general environmental, social and governance within the wider population over the past few years has led to a drive to deliver real, measurable standards that have an impact on all three strategies of ESG. Corporate investors and residents are becoming far more ethical and environmentally conscious and are adopting a comprehensive approach to their investments and places-to-live decisions. BTR operators need to ensure that all developments and their resident/team experiences are focused on ESG delivery consistently. This defined approach will attract potentially enhanced investment and more long-lasting residents – a “win-win” for all.





Creating Best Practice in BTR

Creating a best-practice approach to how ESG can be used to benefit our customers/teams/stakeholders within the BTR sector

BTR is one of the fastest growing property classes in the UK, and so, as BTR practitioners, we have a crucial role to play in enhancing and advancing Built Environments. This will ultimately allow us to deliver a better world for future communities.

As BTR continues its divergence from the Private Rented Sector, how we deliver ESG will further set apart the professionally managed, vibrant and progressive buildings and communities for which we are responsible from those under private ownership, encouraging further industry growth and providing better places for people to live.

The UKAA recognises that to become a leading organisation in our sector that can provide best-practice guidance with regards to our ESG focus, we need to learn from each other and then deliver/communicate a set of best practices for all our stakeholders. This is a continuing cycle of learning and sharing through the UKAA membership.

Our stakeholders include customers, employees, local and planning authorities, suppliers, communities we operate within, and the environment.

We recognise that our Environmental, Social and Governance responsibilities to these stakeholders are integral to the sustainability of our business. We aim to demonstrate these responsibilities through our actions and within our best-practice policies.

What is ESG in BTR?



ESG – Environmental

This is about how we **reduce carbon**, manage and preserve earths, resources for future generations, and minimise our environmental footprint. Environmental issues should consider a company's use of renewable energy sources, its waste management programme, how it handles potential problems of air or water pollution arising from its operations, biodiversity and conservation, and the company's attitude and actions in relation to climate change issues, as well as environmental issues in the supply chain. Overall, it seeks to reduce the environmental footprint created as a result of the building/operation of a BTR asset, and the subsequent actions to reduce the overall impact.

ESG – Social

The UKAA has considered that there are four main social aspects within a BTR site. Firstly, the direct **relationships** that a business has with its employees, suppliers and customers. **This includes the impact of the built product on those who live and work in it.** Secondly, **community relations & human rights issues** – how a BTR site benefits or harms the surrounding community. Thirdly, **workplace health & safety** where we focus on the well-being of employees and customers. And finally, where there is **diversity & inclusion businesses**, generate talent attraction, human capital development, and stimulates creativity and productivity.

ESG – Governance

Governance in the context of ESG is essentially about how a company is managed by those in the top-floor executive offices. How well do executive management and the board of directors attend to the interests of the company's various stakeholders including employees, shareholders, and residents? Financial and accounting transparency and full and honest financial reporting are often considered key elements of good corporate governance. Also of importance are board members who are acting in a genuine fiduciary relationship with stakeholders whilst being careful to avoid any conflicts of interest with that duty, as well as ensuring board members and company executives are a diverse and inclusive group.

The UKAA ESG Ops working group has considered that the United Nations' Sustainable Development Goals (SDG's) is an ideal framework to create strategies/actions that a specific BTR business could use in developing its own unique programme on how to deliver an ESG approach.

What is a Materiality Assessment?



Materiality defines the social and environmental topics that matter most to your business and your stakeholders.

Key issues to the business are ranked on impact and concern.

Those that are most material become the focus for attention in your strategies.

Approach:

Identify key material topics in your BTR Operation – Consider benchmarking, industry trends, and the UKAA Best Practice Guide.

Peer review – Seek learnings from other BTR operators through the UKAA.

Survey – Ask your employees, customer, suppliers and stakeholders what is important to them.

Analysis – Review and decide on key strategies you can use to create a robust ESG culture/actions in your BTR.

Materiality matrix

Our vision: Enabling more sustainable consumption and lifestyles



United Nations Sustainability Development Goals

The UKAA ESG Op's working group recommend using specific key United Nations Sustainable Development Goals (SDG's) to form the bedrock of key strategies.

There are 17 SDG's that your business can support, as listed – although we recommend 3–5 should be taken as a starting point to focus your actions. You should choose these after the completion of your Materiality Assessment, in line with your business priorities.

https://ec.europa.eu/international-partnerships/sustainable-development-goals_en

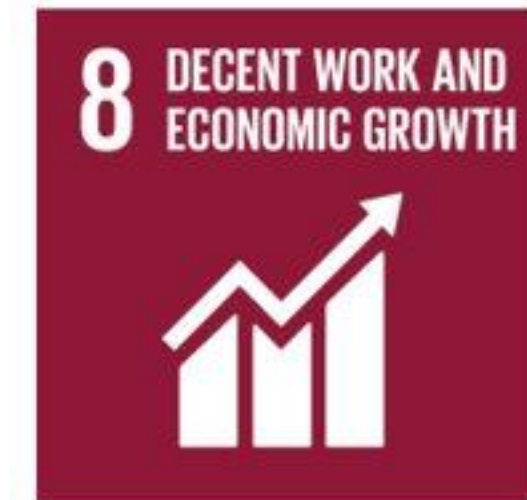


Example...

How can you support the United Nations with a BTR operation?

Employees

- Is employee pay fair, or perhaps even generous, when compared to comparable jobs or to similar positions throughout the industry?
- In addition to basic wages or salary, with what benefits or perks are employees provided?
- Workplace policies regarding diversity, inclusion, and prevention of sexual harassment are also factors that are frequently considered
- Employee training and education programmes; for example, does your company provide financial support for continuing or higher education and/or flexible working hours for employees pursuing further education? What opportunities exist for employees to be trained in new job skills at the company that will qualify them for higher-paying positions?
- What level of employee engagement with management is there? How much input do employees have in determining operational procedures within their respective departments?
- The level of employee turnover



Example...

How can you support the United Nations with a BTR operation?

Local Communities

- Is the company aware of wider social issues within its local community?
- Does it engage with local community causes, through time, financial donations or in-kind?

Examples are:

- Adding local employment opportunities
- Creating apprenticeships
- Targeting local suppliers and SME procurement
- A plan for engaging with the community
- Ethical procurement obligations
- Designing BTR buildings to be sustainable, recyclable and low carbon in construction
- Carbon Net Zero in operation
- Develop strategies to reduce the imbedded carbon in your supply chain
- Adopting modern methods of construction
- Creating a positive building legacy
- Outside of direct operations, considering local community initiatives that provide funding for playgrounds and housing improvements in some of the areas in which you operate



Example...

How can you support the United Nation with a BTR operation?

Buildings

- Designing BTR buildings that are attractive, sustainable, recyclable and with a low environmental impact
- Create a built environment that enables people and the planet to thrive.
- Adopt the principles of reduce, re-use and recycle
- Commit to a zero-carbon vision that reduces operational energy and embodied carbon
- Protect and conserve water and natural habitats
- Enhance indoor environmental quality
- Optimise site potential
- Adopting modern methods of construction
- Consider ways of enhancing the well-being of residents, staff and visitors to your buildings
- Creating a positive building legacy, long-term value for society and well-being of people
- Measure the impact of your building quality on residents, staff and the wider community



Example...

How can you support the United Nations with a BTR operation?

Environment Energy Focused

In new construction projects the UKAA members should commit to green and sustainable action plans for:

- Carbon reduction targets
- Water reduction targets
- Travel strategy
- Energy options and reduction strategy
- Waste reduction from site strategy
- Benchmarking, measuring, and targeting the energy use of your buildings with your partner energy suppliers
- Purchase of renewable energy where possible
- Look to generate renewable energy on site where possible
- Communicate with residents to offer guidance about energy usage and encourage participation in achieving energy efficiency targets
- Help residents reduce their energy consumption by installing high efficiency appliances





Other considerations to be part of your materiality assessment:

Planning & Design

Construction & Procurement

Operations & Management



UKAA Members should evaluate the environmental and social impact of design-stage decisions as a core consideration and adopt a sustainable approach in their design brief to ensure that their buildings:

1. Seek to optimise the building form, orientation and building fabric to make the building design as energy efficient as possible
2. Aim to optimise performance of the building, using good design and highly energy efficient building services – no fossil fuels should be used, and high performing EPC ratings will be a benchmark, shared with all stakeholders
3. Plan to make the most of Low and Zero carbon generating technologies.

- Design to optimise well-being for residents and adhere where possible to Well2/ Fitwell/BREEM/Home Quality Mark building standards and to company specific internal Wellness design brief, if applicable
- Engage with the local community, ensuring feedback informs the building design
- Design buildings to be inclusive for everyone and take care to reflect local culture and heritage within the building design
- Focus on environmentally friendly strategies for water efficiency and usage, leakage detection and wastewater treatment
- Ensure that energy efficient heating and cooling equipment is specified (where necessary to minimise overheating concerns), that artificial lighting is low-energy consumption, and that we set targets for natural light in all areas of the building
- Create new outdoor spaces for the community regarding the landscape and ecology of the built environment we are creating, and to enhance biodiversity
- Incorporate features such as electric car charging points, car clubs and bike storage and maintenance facilities into each building

Construction & Procurement



UKAA Members evaluate the environmental and social impact of construction and procurement stages. Core considerations from suppliers are sought, ensuring they adopt a sustainable approach in supply and delivery to ensure that BTR buildings:

1. Seek to optimise the building construction supply of materials to make the building as sustainable as possible
2. Aim to optimise performance of the building, using good construction methods and using substantiable cultured suppliers
3. Request that your suppliers make the most of Low and Zero carbon generating technologies

- Look to work with local and diverse suppliers and SMEs where possible
- Seek to create jobs and develop skills in the local community during the construction phase with a commitment to local employment and skills development
- Operate ethical procurement practices which means you consider the impact of environmental, economic, and social factors along with price and quality
- Minimise the impact on the environment of your on-site construction practices and procurement decisions both locally and through the supply chain
- Consider opportunities to minimise embodied carbon from the design and construction of your buildings and select durable materials with lower lifecycle cost
- Collaborate with your contractors to create positive social value outcomes for the local community

Operations & Management



We evaluate the environmental and social impact of design-stage decisions as a core consideration and adopt a sustainable approach in our design brief to ensure that our buildings:

1. Seek to optimise the building form, orientation and building fabric to make the building design as energy efficient as possible
 2. Aim to optimise performance of the building, using good design and highly energy efficient building services – no fossil fuels should be used, and high-performing EPC ratings will be a benchmark, shared with all stakeholders
 3. Plan to make the most of Low and Zero carbon generating technologies
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- Aim to reduce the need for car ownership in your sites and encourage greener transport alternatives
 - Incorporate electric car charging points and an electric car for hire in all buildings (except car-free developments) and provide secure bicycle storage areas and cycle maintenance facilities
 - Seek partnerships with local public transport providers in the communities you operate in and support these partnerships with funding to create incentives for your residents and employees to use greener transport alternatives
 - Implement a sustainable procurement policy ensuring the environment and social impacts of products and services purchased for your sites
 - Look to recruit multi-cultural, diverse, sustainably and socially aware people from within the local community for your on-site roles
 - Look to work with local suppliers and SMEs for building services like cleaning, security; meet best-practice employment standards, such as paying living wages
 - Look to work with local and diverse suppliers and SMEs where possible
 - Put in place the necessary facilities and guidance to enable residents to reduce their waste to landfill and maximise reuse and recycling
 - Encourage your suppliers to reduce single-use plastics from use in your operation and request that any cleaning suppliers comply with environmental policies in their use of cleaning products and equipment
 - Provide services and guidance to help your residents reduce their carbon and energy footprint, for example by using appliances efficiently
 - Focus on the health and wellbeing of your residents and employees in multiple ways. This can include encouraging social interaction, community, and amenity provision and attractive outdoor spaces for residents.
 - Support and promote a wellness strategy for your employees which could be delivered through providing training to on-site staff. Considering the overall impact of the building and how it may impact your team's health, for example by providing comfortable back-of-house facilities and best-practice working conditions

One big target!

Could your BTR operation be Net Carbon Zero
by 2030 if you start now?

Next Steps

Know your gaps and what you can do to bridge them

Materiality Assessment

Focus on key aspects you know you can deliver against

EU 17 Sustainability Development Goals

Make a plan to pull together your company resources to help deliver your ESG strategy

Implementation Plan

Make sure you touch each element of ESG in your business

Environmental, Social & Governance

Learn from others and share your knowledge

UKAA Members Best Practice Guide & industry benchmarks

Start your journey to deliver ESG at your BTR

Measure your success



Our Best Practices

All UKAA members need to commit to developing all BTR business in line with these principles, and therefore this “best practice” should be communicated and shared with all members as a key statement of how we do business. A shared open, signed document from all members stating our joined-up intention and goals should be posted on the UKAA website; it should be available for each member to share and be communicated to any stakeholder group.

Colleagues in all areas of the business are expected to uphold our/their ESG values and to ensure the key decisions they make are consistent with the UKAA best-practice goals wherever possible – this is a culture-driven focus that must permeate through the entire member organisations.

UKAA members will be open and honest in communicating our/their strategies, targets, performance, and governance to their stakeholders in our/their continual commitment to sustainable development.

The UKAA Board will undertake an annual review and impact of the UKAA best-practice ESG standards. This review will be used in setting social impact value targets on what we suggest our members do in future.

We take all feedback that we receive from our stakeholders and maintain an open dialogue where possible to ensure that we fulfil the requirements outlined within this policy.



UKAA