

THE ROLE AND IMPORTANCE OF AN INTERNATIONAL STANDARDISED APPROACH TO SUSTAINABILITY REPORTING IN THE CONSTRUCTION AND REAL ESTATE SECTOR

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Summary

Sustainability principles are increasingly a consideration in business decision-making processes. This occurs in a context where financial performance is no longer regarded as the exclusive driver of a business and economic, environmental and social factors are now recognized as important. However, for these principles to be operationalised within the construction and real estate industry a variety of common definitions, globally applicable tools, as well as an international reporting system are required. A number of organizations are working in this area; including UNEP-FI, UNEP-SBCI and the Global Reporting Initiative (GRI). This paper considers the practice of sustainability reporting as it relates to the construction and real estate sector and companies from other industries that represent building occupiers and owners. With this in mind, it is apparent that there is a link between sustainability assessment and certification of buildings and sustainability reporting. The assessment and certification of buildings focuses on the asset or object and on its entire life cycle. For a reporting organization, it is necessary in its sustainability report to include performance information on sustainability issues within both its direct control but also its influence. As such, all the major stakeholders in the building life cycle play an important role and need to ensure a steady flow of relevant information along the entire supply and value chain. The development of sector specific sustainability reporting guidance for the construction and real estate industry will serve to better address the disclosure demands of the sector's stakeholders along the building related value chain.

Keywords: sustainability reporting, construction sector, real estate sector

1 Introduction and Context

Sustainability reporting can be described as an instrument for portraying organisations' and corporations' activities and achieved results in contributing to sustainable development as well as in taking their responsibility towards society and the environment. Sustainability reporting stands in a tradition of both accountability towards third parties as well as internal reporting and financial accounting. Through sustainability reporting these former

strictly financially oriented reporting and accounting exercises are now being extended to include further aspects relating to the environment, society and corporate governance (commonly referred to as ESG-issues). However, the scope, aims and benefits of sustainability reporting go beyond the mere fulfilment of accounting requirements towards third parties and the improvement of communication with stakeholders respectively; i.e. within corporations and organisations the development and implementation of a system for sustainability reporting supports, amongst other issues, the

- formulation of as well as the agreement upon corporate goals and visions;
- development and application of appropriate indicators and benchmarks;
- installation of a wider controlling, information-, risk and quality-management framework; i.e. an improvement of internal flows of information; and
- understanding of and insights into the relationships between financial factors and socio-cultural and environmental aspects.

To address this sustainability reporting guidance has emerged that is also sector specific in nature. A global voluntary framework for sustainability reporting has been developed by the Global Reporting Initiative (GRI) that can be used by all organizations regardless of size, sector or location to disclose sustainability performance information. GRI is an international, multi-stakeholder NGO that develops guidelines for reporting on economic, environmental and social performance. GRI's sustainability reporting framework is developed through a unique multi-stakeholder consensus based process involving geographical diverse representatives from reporting organizations and report information users drawn from NGOs, the labour movement and investors. First published in 2000 and then revised in 2002, GRI's sustainability reporting framework is now in its third iteration the GRI G3 Guidelines, which were released in October 2006 [01]. While there are some core sustainability impacts relevant to all industries, there are also some sector specific impacts. Sector specific reporting guidance is also available for some industries in the form of Sector Supplements. GRI's Sector Supplements are developed using the international, multi-stakeholder, consensus based approach, also used to create the core framework for reporting. The sector specific reporting guidance is integrated into the GRI G3 Guidelines, complementing the existing reporting guidance.

Sustainability reporting is used by organizations to transparently communicate information on the organizations' economic, environmental and social performance, and its contributions towards sustainable development. In a sustainability report reporting organizations commonly refer to the wide variety of other instruments, methods and tools that help them manage and measure their performance on specific sustainability issues, such as carbon emissions, or water usage. Within the construction and real estate sector examples for these other instruments, methods and tools are:

- Product and object related instruments such as the description and assessment of building products (e.g. environmental product declarations (EPD); Blue Angel) or the development and application of systems for describing, assessing and communicating the sustainability performance of buildings based on life cycle analyses (e.g. green labels, sustainability building assessment schemes).
- Planning- and construction process related instruments such as design for the environment, construction site audits, or eco management and audit schemes (EMAS).
- Process related instrument such as green procurement, the assessment of the economically most advantageous tender (EMAT), or the preparation and justification of investment decisions based on responsible property investment premises.

- Contract related instrument for the arrangement of lease contracts (e.g. green leases) or for the organisation of operator models (e.g. BOT – built, operate and transfer).

The type and manner, extent and results of an application of these instruments, methods and tools can be described within an organisations’ or corporations’ sustainability report. The following Figure 1 provides an overview on the interplay of different instruments.

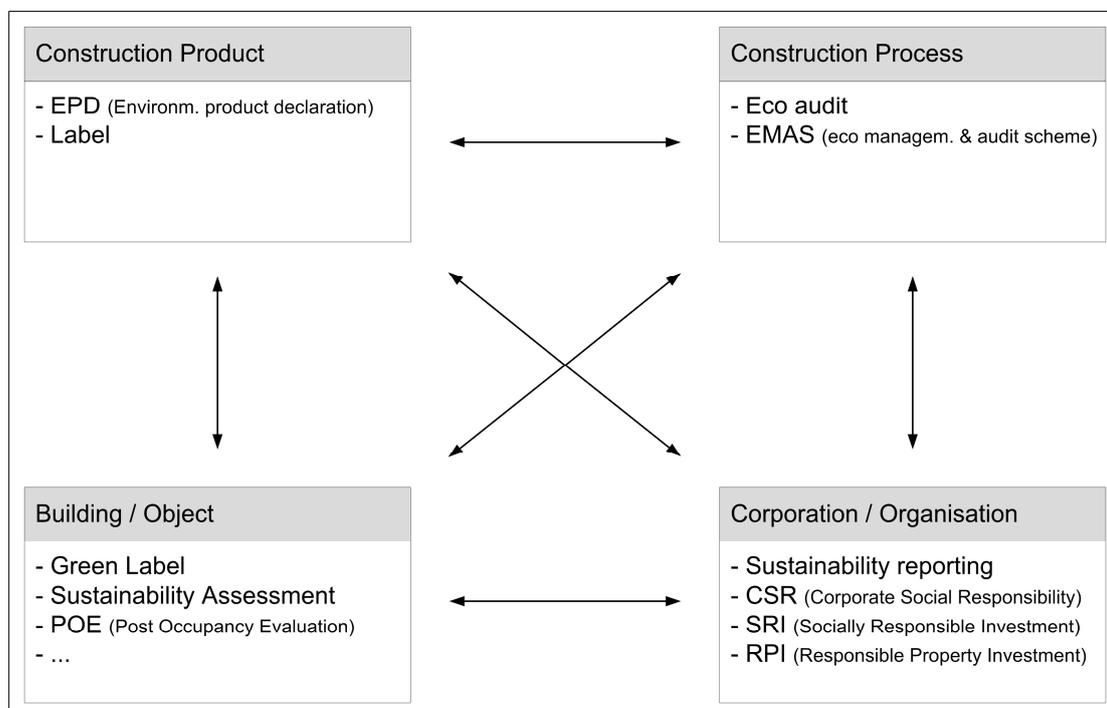


Fig. 1 Interplay of different instruments, methods and tools

2 Selection of themes and performance measures for reporting

First of all, the application of the GRI G3 Guidelines leads to several general requirements for the sustainability reporting of organisations and corporations from the construction and real estate sector. Disclose of management approach and performance information on the following issues are included in the G3 Guidelines as relevant for all companies regardless of sector: materials, energy and water usage, labour/management relations, training and education of employees, diversity and equal opportunities, community engagement, corruption, among others. In order to be able to reflect the contribution of the construction and real estate sector to sustainable development along the supply and value chain it is necessary for reporting organizations to disclose performance information on sector specific impacts that relate to the construction and real estate value chain [02]. Within the sustainable development discourse, due to the significance of buildings, particularly with respect to their energy efficiency, some of this guidance may be useful for corporations and organisations from all other sectors or industry branches that own or occupy buildings.

The following Table 1 provides examples for specific sustainability reporting themes for the construction and real estate sector (it has to be noted that the table does not represent an exhaustive list of reporting themes; companies have to undertake a materiality test to determine whether the indicators contained within a sector specific reporting guideline are material for them or if it is necessary to report on other themes as well in order to understand and communicate that specific company’s sustainability performance):

Tab. 1 Selected themes for sustainability reporting (Examples)

	Issues
Economic	Employment creation
	Buildings in at risk locations
	Extent of abatements/ reductions of rents
	Occupancy / vacancy rate
Environmental	Biodiversity impact during construction and in use phase
	Contaminated land and remediation
	Materials usage and waste recycling
	Labelling (energy performance certificates, building certification, etc.)
Social	Workplace safety and occupational health
	Planning criteria and process
	Forced and compulsory labour during construction phase, and the pro-vision of basic human entitlements to workers (food, water and shelter)
	Screening of contractors on human and labour rights
	User / tenant satisfaction and participation
	Tenant education and influence

Table 1 also reaffirms the interrelationships and links between sustainability reporting and other instruments. Furthermore, it becomes clear that sustainability reporting in the construction and real estate sector does not only require organising and maintaining a steady flow of information within the reporting entities but also along the entire supply and value chain. As a consequence, the provisioning of products and services has to be interlinked with the provisioning of information. This is important because the ability to describe and assess the environmental impacts of construction works and buildings also depends on the availability of information on respective building products and processes.

The Global Reporting Initiative is currently convening an international multi-stakeholder working group process to develop sector specific sustainability reporting guidance for the Construction and Real Estate sector so that the G3 Guidelines better addresses the impacts of the sector. During two public comment periods interested parties will be able to formally provide feedback on the reporting guidance in line with GRI's due process. Therefore, the number of sustainability reports within the construction and real estate sector is likely to increase in the future. It is also likely that sustainability reports produced by companies from the sector will better integrate performance information in accordance with stakeholder expectations on sector specific impacts in a uniform and comparable way. In turn it will be easier for companies and their stakeholders to be able to better benchmark performance on these issues over time and compare the performance of companies internationally in their efforts to further promote sustainable development within the construction and real estate sector.

References

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