A Snapshot of Sustainability Reporting in the Construction and Real Estate Sector

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Acknowledgements

The Global Reporting Initiative

The Global Reporting Initiative™ (GRI) is a multi-stakeholder non-profit organization that develops and publishes guidelines for reporting on economic, environmental, and social performance (‘sustainability performance’). The GRI’s Sustainability Reporting Guidelines have been used by over 1000 organizations worldwide, with many more organizations considering them informally during the preparation of their public reports. The Guidelines are developed through a unique multi-stakeholder consultative process involving representatives from reporting organizations and report information users from around the world. First published in 2000 and then revised in 2002, the Guidelines have now entered their third generation, referred to as the GRI G3 Guidelines which were released in October 2006.

Landcom is a masterplanner of living communities and has developed residential, commercial and industrial properties for close to 30 years in New South Wales, Australia.

Lend Lease

Lend Lease is an international property group with broad skills across the property value chain. Headquartered in Australia, Lend Lease operates three core businesses: project management and construction, property investment management and property development.

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1. Introduction and Methodology

The Global Reporting Initiative’s (GRI) vision is that reporting on economic, environmental, and social performance by all organizations is as routine and comparable as financial reporting. GRI has pioneered the development of the world’s most widely used sustainability reporting framework, the G3 Guidelines, and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.

Some sectors face unique needs that require specialized guidance in addition to the universally applicable core Guidelines. Sector Supplements respond to these needs and are a key part of the Reporting Framework, designed to complement the Guidelines. As with the Guidelines, Sector Supplements are produced by multi-stakeholder geographically diverse working groups using GRI’s characteristic consensus seeking approach.

This research document will present a general overview of sustainability reporting in the Construction and Real Estate sector to feed into the GRI Sector Supplement development process. It is based on a review of sustainability reports from 16 companies. Although some of the sustainability reports contributing to the research have used the GRI Guidelines and Indicators, the purpose of this research was not to measure the level of GRI reporting in the sector, rather to present a broader snapshot of sector specific of reporting trends. The report presents these trends, summarized in terms of frequency of reporting themes and performance measurements.

The 16 companies have been selected using a number of criteria including but not limited to: quality and availability of a sustainability report, industry sub-sector, use of the GRI Guidelines and diversity of region and activities.

Only reports available in English were reviewed. The findings have been organized around the three GRI reporting categories - Economic, Environmental and Social. Certain issues which seem to be of particular relevance to some of the sub-sectors have also been highlighted.

At the conclusion of the report you will be invited to complete a questionnaire to help GRI identify more of the important sustainability issues for the construction and real estate industry. Suggestions for reviewing additional sets of reports are also welcomed (in which case, kindly specify which reports you think would merit inclusion in the review).
### List of Company Reports Reviewed

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Sub-Sector</th>
<th>Report Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y. Takaoka Empreendimentos S.A</td>
<td>Brazil</td>
<td>Construction</td>
<td>*Sustainability Report 2004-05</td>
</tr>
<tr>
<td>Skanska</td>
<td>Sweden</td>
<td>Construction</td>
<td>Sustainability Review 2007</td>
</tr>
<tr>
<td>Group Five</td>
<td>South Africa</td>
<td>Construction</td>
<td>*Annual Report 2007</td>
</tr>
<tr>
<td>Obayashi</td>
<td>Japan</td>
<td>Construction</td>
<td>Environmental Report 2007</td>
</tr>
<tr>
<td>Fluor HSE</td>
<td>North America</td>
<td>Construction</td>
<td>Health, Safety &amp; Environmental Annual Report 2006</td>
</tr>
<tr>
<td>Hochtief</td>
<td>Germany</td>
<td>Construction</td>
<td>*Sustainability Report 2007</td>
</tr>
<tr>
<td>Kajima</td>
<td>Japan</td>
<td>Construction</td>
<td>Environmental and Social Report 2007</td>
</tr>
<tr>
<td>British Land</td>
<td>UK</td>
<td>Real Estate</td>
<td>Corporate Responsibility Report 2007-08</td>
</tr>
<tr>
<td>Prologis</td>
<td>USA</td>
<td>Real Estate</td>
<td>*2007 Sustainability Report</td>
</tr>
<tr>
<td>Landcom</td>
<td>Australia</td>
<td>Developer</td>
<td>*2006 Annual Report</td>
</tr>
<tr>
<td>Stockland</td>
<td>Australia</td>
<td>Developer &amp; Construction</td>
<td>*Corporate Responsibility and Sustainability Report 2007</td>
</tr>
<tr>
<td>Lendlease</td>
<td>Australia</td>
<td>Developer &amp; Construction</td>
<td>*2005 Sustainability Report</td>
</tr>
<tr>
<td>Swire Properties</td>
<td>Hong Kong</td>
<td>Developer</td>
<td>Environmental, Health &amp; Safety Report 2007</td>
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<td>MTR Corporation</td>
<td>Hong Kong</td>
<td>Developer &amp; Construction</td>
<td>*Sustainability Report 2007</td>
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<tr>
<td>Cemex</td>
<td>Mexico</td>
<td>Construction Materials</td>
<td>*2006 Sustainable Development Report</td>
</tr>
<tr>
<td>Holcim Ltd</td>
<td>Switzerland</td>
<td>Construction Materials</td>
<td>*Corporate Sustainable Development Report 20057</td>
</tr>
</tbody>
</table>

* denotes use of the GRI Guidelines (2002 or G3).
2. Key Findings

The practice of sustainability reporting is not as well established in the Construction and Real Estate (C & RE) compared to other sectors, such as the financial services or the electric utilities sectors. There are however, a number of leading companies in the sector that are reporting on sustainability or non-financial issues.

The practice of reporting on non-financial information is not currently uniform geographically. At present the companies most active in reporting are situated in Japan, Australia and parts of Europe.

The primary sustainability challenge identified by the majority of companies across the different sub-sectors is climate change. In particular companies are concerned about their CO₂ emissions from the use of natural resources. There are also a number of companies paying a lot of attention to supply chain analysis in the reporting of climate footprints.

It can be concluded that among the reports, there is no strong deviation, from the different sub-sectors in the issues and indicators reported. There are issues which may be unique to each industry sub-sector, but their number would not be sufficient to compile a separate Sector Supplement; all the sub-sectors would be able to use a standardized C & RE Sector Supplement to report on their main sustainability concerns.

The sample of reports also revealed that reporting on economic aspects is less advanced or common than that on environmental and social performance. This can possibly be explained by the fact that some of the reports examined are solely environmental and therefore do not reflect economic issues. A selection of annual financial reports were also examined as a point of reference. However, there was no strong evidence to indicate that economic issues are being reported in these annual financial reports.
3. Commonly Reported Sector Issues and Indicators

Economic

General themes:
- Community Economic impact/contribution.
- Low-cost/low income housing.
- Use of local resources.

Themes particular for Developers:
- Supplying high quality housing while offering a high return on investment for developers.
- Creating employment during and after construction.

Performance measures:
- Sustainable values of properties and tracts of land.
- Percentage of income derived from moderate income/price bracket housing.
- Tax contributions.
- Supplier diversity e.g. local, women, minorities.

Environmental

General themes:
- Global warming prevention through the reduction of CO₂ emissions.
- Waste minimization, e.g. reduced waste going to landfill.
- Reduced emission of pollutants.
- Water conservation, e.g. reduction in portable water demand and minimization of waste water generation.
- Ecosystem conservation.
- Intelligent selection and use of raw materials, e.g. recycling and reuse of material, promotion and selection of materials which have a reduced impact on resource depletion.
- Environmental management promotion throughout the supply chain.
- Use of alternative transport, e.g. utilization of more efficient modes of transport and reduced reliance on motor vehicles.
- Office recycling, e.g. paper, bottles and cans.
- Reduction of office energy use and greenhouse gas emissions generated.
- Promotion of biodiversity.

Themes particular for Construction:
- CO₂ emission reduction to be achieved with measures such as:
  1. Restricting the amount of soil taken off project sites;
  2. Reducing transportation distance; and
  3. Introducing driving practices that lower fuel consumption in construction vehicles and heavy machinery.
- Measures to prevent construction waste.
- Adoption of “green” construction material in building design.
- Reuse and recycling of construction and demolition materials.

Method

“High frequency” refers to themes and performance measures reported on by 12-16 companies.
“Medium frequency” refers to themes and performance measures that were addressed by 6-12 companies and “low frequency” themes were addressed by less than 6 companies.

Figure I: Legend, Frequency of Reporting
• Noise levels, e.g. use of non-percussive demolition methods, such as hydraulic crushers and noise barriers.
• Preservation of fauna measures to be taken during construction.
• Reduced and/or safe use of dangerous chemical substances.

Themes particular for Developers:
• Increased energy efficient design, e.g. designing buildings to achieve maximum efficiency leading to reduced energy consumption once the buildings are occupied.
• Reduced waste material through comprehensive building modeling during design phase.
• Sustainable or renewable energy technologies installed in developments.
• Consultation with local people to ensure that the developments meet their needs and have their support.
• Indoor comfort and environment quality, i.e. the promotion and provision of healthy and comfortable indoor environments.
• Sustainable urban planning.

Themes particular for Real Estate:
• Monitoring energy usage for the common areas of multi-let properties.

Themes particular for Construction Material Production:
• Clinker content. Lowering the percentage of clinker cement by substituting it with other substances to reduce the use of natural raw materials.
• CO₂ reduction through:
  1. Production of composite cements;
  2. Thermal energy efficiency;
  3. Optimization of fuel composition; and
  4. Reduction and prevention of cement kiln dust generation.

Performance measures:
• Greenhouse gas emissions (metric tons of carbon equivalent).
• Water consumption (m³).
• Electricity consumption (MWh) (kWh).
• Fuel consumption (litres).
• Natural gas (MWh).
• Heating oil (MWh).
• Volume of construction waste generated (kg/m²) (tons).
• Recycling rate of construction waste (%).
• Recycled materials usage rate (%).
• Adoption of green construction materials in building design (items/BLDG).
• Projects where environmental performance exceeds regulations.
• Staff flights.
• Alternative fuels and materials.
• Transport usage.

Social

General themes:
• Diversity, i.e. embedding diversity into the company’s culture, creating a more flexible working environment and increasing the diversity mix of the workforce.
• Equal employment opportunities.
• Health and Safety education, i.e. minimizing risk of accidents through education programs in order for the employees and subcontractors to act responsibly.
• Community Involvement.
• Training and education of employees.
• Female employment.
• Employee retention.
• Participation in local community programs e.g.:
  1. Donations;
  2. Education programs;
  3. Building infrastructure for livable communities; and
  4. Supporting sustainable community development.
• Employee volunteering.
• Skills for the young.

Themes particular for Construction:
• Industry principles for combating bribery and corruption.
• Special asbestos training and health exams for staff.
• Low cost/low income housing.

Issues particular for Real Estate:
• Accessibility, i.e. selling properties that are accessible and more attractive to moderate income occupiers; this can impact positively on rental values.
Indicators used:
- Fatal incident rate.
- Accident rate.
- Percentage comparison of male and female employees.
- Percentage of staff who participate in basic environmental training.
- Employee years of continuous service.
- Total CSR spending.
- Number of unemployed people trained.
- Consumer education about sustainable living.
- Training as % of payroll.
- Training days per/employee.
- % of women in management.
- Absentee rate.
4. Areas for Further Discussion

Not all information contained in a sustainability report has been discussed in this report, only that which has specific relevance for a construction and real estate sector supplement. Specific items, information or disclosures may also have been omitted due to the terms of reference calling for a ‘broad snapshot’. These may be further discussed during the Sector Supplement development process in order for reports to best meet the information needs of various stakeholders.

Feedback Invited

GRI appreciates your feedback on the observations made in this document. By completing the following questionnaire, you can help identify the important sustainability issues for the Construction & Real Estate sector. Please complete the following questionnaire and return it to guidelines@globalreporting.org. Suggestions for reviewing additional sets of reports are also welcomed (in which case, kindly specify which reports you think would merit inclusion in the review). A word version of this questionnaire is also available on GRI’s website at: http://www.globalreporting.org/ReportingFramework/SectorSupplements.
### Annex:

**Questionnaire: Sustainability Reporting in the Construction & Real Estate Sector**

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<th>Name</th>
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<td>Organization</td>
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**Q.1** Would you consider that the selected company reports have captured the important issues for the construction and real estate sector?

**Q.2** Are the issues identified in the company reports expressed in a way that would fulfill your information needs?

**Q.3** After taking into consideration the commonly reported issues and indicators, do you believe there is a need for separate Sector Supplements for each of the industry’s sub-sectors?
| Q.4 | What would you identify as the five most important issues which ought to be included in the Construction & Real Estate Sector Supplement? |
| Q.5 | Aside from review of company reports, are there any other kinds of research or set of information that you think would be useful for the Sector Supplement development process? |