

Investigation of International Trends and Initiatives for a Sustainable Real Estate Market

Development of a Strategic Approach for the Adaptation
of the UN Global Compact Principles to the Real Estate Sector

Sven Wiedemann

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**Investigation of International Trends and
Initiatives for a Sustainable Real Estate Market
Development of a Strategic Approach for the Adaptation of
the UN Global Compact Principles to the Real Estate Sector**

Master Thesis

Submitted on March, 27th, 2014 to:
Department of Economics and Management
Centre of Real Estate
Prof. Dr. David Lorenz

Sven Wiedemann
Schwarzwaldstr. 27, 76137 Karlsruhe
Born June 21st, 1987 in Ellwangen
Matriculation Number: 1387962

Karlsruhe Institute of Technology (KIT)

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Declaration

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Sven Wiedemann

Karlsruhe, March, 27th, 2014

Abstract

One big challenge for Real Estate and Construction companies lies in the implementation of measures to achieve sustainable products, responsible behavior and good governance. Therefore, sustainability initiatives play a great role in showing the private sector ways how to reach sustainability targets and filling in the gaps left by governmental regulations. One of the most important initiative for sustainability subjects worldwide is the *United Nations Global Compact*. By a worldwide investigation of current trends, other initiatives, foundations and conventions, this thesis identified the need for voluntary initiatives in the Real Estate and Construction Sector. At the same time, the sector is found to be underrepresented within the Global Compact, although it is having a great influence on the use of land, resources and the world's climate. So, this thesis develops strategic recommendations how to adapt the Global Compact initiative to the Real Estate and Construction Sector.

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List of important Abbreviations

CS	Corporate Sustainability
CG	Corporate Governance
CSR	Corporate Social Responsibility
EC	European Commission
EU	European Union
ESG	Environmental Social Governance
ILO	International Labour Organization
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
REIT	Real Estate Investment Trust
RICS	Royal Institution of Chartered Surveyors
SRI	Social Responsible Investments
UDHR	Universal Declaration of Human Rights
UN	United Nations
UN GC	United Nations Global Compact

1. Introduction

1.1. Motivation

“As social, political and economic challenges (and opportunities) - whether occurring at home or in other regions - affect business more than ever before, many companies recognize the need to collaborate and partner with governments, civil society, labour and the United Nations”.

United Nations Global Compact, 2013 [1]

The Real Estate and Construction Sector has a great influence on the use of land, resources and the world's climate. It is also accountable for a major share of the global wealth. Today, the fast growing world population and the increasing need for shelter and affordable homes are two of its biggest challenges. On the other side, in times of global warming and decreasing natural resources, the role of sustainability grows especially for the private sector. The challenge for companies lies in the implementation of measures to achieve sustainable products, responsible behavior and good governance. Therefore, sustainability initiatives play a great role in showing the private sector ways how to reach sustainability targets and thereby filling in the gaps left by governmental regulations.

One of the worldwide most important initiative for sustainable development is the *United Nations Global Compact* (UNGC). Its aim is to assist the private sector in a world of increasing complex risks and upcoming environmental, social and governance (ESG) challenges with the help of ten universally acknowledged principles, to ensure benefits on both sides: for the economy and the society. The Global Compact Principles are being successfully implemented by companies all around the world and improve the work-life of employees and the companies' environmental, social and governance performance. However, the principles are universal and have yet not been specified for the Real Estate Sector and Construction Sector.

But there is a large number of initiatives, foundations and business associations who represent the interests of this sector. To develop a holistic approach for the UN Global Compact, their strategies, tool-kits and approaches have to be investigated to derive possible best practices and recommendations how to assist the private Real Estate Sector on the implementation of sustainability into company structures.

1.2. Objective

The objective of thesis is to investigate how the UNGC could support the development to a sustainable Real Estate Sector. Therefore, existing sectorial trends and initiatives will be in-

investigated in consideration of current economic outlooks, developments in regard of sustainability and established sustainable values, based on international declarations. This will be the basis for the development of requirements to establish a holistic approach for a sustainable development initiative within the Real Estate Sector. To conclude, this thesis will find recommendations how the UNGC could be adapted to meet the developed sector-specific requirements.

1.3. Structure of the Thesis

In chapter 2, the international foundations of sustainable development in the areas of Anti-Corruption, Environment as well as Human and Labour Rights are presented along with current concepts for corporate sustainability. The following chapter 3 then gives an overview about a sector-specific approach to sustainability in the Real Estate and Construction Sector. In addition, the sector's economic outlook, current regulatory trends and developments are being discussed. At the end of chapter 3, the need for private sector initiatives is explained. Afterwards, in chapter 4, the United Nations Global Compact is introduced as one of the leading initiatives for sustainable development. At the end of this chapter, the representation of the Real Estate and Construction Sector inside the initiative is evaluated and the need for the integration of sector specific aspects is being identified. This leads over to chapter 5, where initiatives, foundations and interest groups for sustainable development in the sector are found by an international investigation. Valuable findings are then categorized by their specific strengths and orientations and used as input for chapter 6, where the requirements are derived. On this basis, selected initiatives are being evaluated regarding how they want to develop sustainable practices among the sector's companies. To conclude, chapter 7 shows possible approaches and an implementation strategies how the UN Global Compact and its *Ten Principles* could be transferred to the Real Estate sector.

1.4. Relation to the UN GC/RICS Sectorial Project

This thesis is written as an amendment to the *United Nations Global Compact/Royal Institution of Chartered Surveyors (RICS) Sectorial Project* started in 2013 [2]. It will investigate initiatives, companies and associations which are not already part of the Global Compact network. The project is the first of its kind to address corporate sustainability in a specific sector within the Global Compact.

The Royal Institution of Chartered Surveyors is a professional body in Land, Real Estate and Construction, founded in the United Kingdom in 1868 and acts as a certifying institution for sector professionals [2].

2. Development of Sustainability Concepts

The principle of sustainability has its origins in the 18th century. Hans Carl von Carlowitz from Saxonia, Germany, wrote in his creation “*Sylvicultura oeconomica*” (1713) about a new approach to forestry: only so many timbers shall be taken out of the King’s forests, which could regrow by planned forestation. This principle was transferred into other business areas and the English and French language and was thereby named *sustainability*. Today, this term is commonly used to describe developments according to the definition of the *Brundtland Report: Our Common Future* (1987) [3]:

“Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.”

The report states two main thoughts: setting a priority on satisfying basic needs of the poor and constrain the use of resources, to ensure the ability of the environment to recover and to be capable of offering supply for future generations. The next chapter shows the international background of today’s view on sustainability in respect of the environment, human and labour rights.

2.1. Historical International Background

2.1.1. International Declarations on Human Rights

The United Nations’ *General Assembly* has released the “*Universal Declaration of Human Rights*” (UDHR)^I in 1948. As the first declaration of this nature, it contains 30 articles about fundamental human rights that have to be protected. The UDHR has built the foundation for following declarations, international pacts and conventions [4]. However, the declaration is not legally binding under international law. The first legally binding covenants followed 18 years later: the “*International Covenant on Civil and Political Rights*” (ICCPR) and the “*International Covenant on Economic, Social and Cultural Rights*” (ICESCR), which were adopted by the UN General Assembly in 1966 and are effective since 1976, after sufficient member states had ratified them^{II}. Together with the UDHR, these three agreements built the informally called

^I Resolution 217 A (III)

^{II} Today, there are still UN member states which have either not signed the agreements or have signed but not ratified them (according to *Amnesty International*, 2008 and the *UN Treaty Collection*, 2014) [5] & [6]

“*International Bill of Human Rights*” [7]. Today, there are, together with the aforementioned, nine important agreements. The additional agreements are:

- “*International Convention on the Elimination of All Forms of Racial Discrimination*” (ICERD), effective since 1969 [8]
- “*Convention on the Elimination of All Forms of Discrimination against Women*” (CEDAW), effective since 1981 [9]
- “*United Nations Convention against Torture*” (UNCAT), effective since 1987 [10]
- “*Convention on the Rights of the Child*” (CRC), effective since 1990 [11]
- “*International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families*” (ICRMW), effective since 2003 [12]
- “*Convention on the Rights of Persons with Disabilities*” (CRPD), effective since 2008 [13]
- “*International Convention for the Protection of All Persons from Enforced Disappearance*” (CIPED), effective since 2010 [14]

UN member states have to hand in *state reports* about progresses and developments in the specific areas every four to five years, if they have ratified the relevant conventions. In addition to the agreements by the United Nations, there are also regional conventions of other economic and political unions, e.g. the “*European Convention on Human Rights*” (ECHR), effective since 1953.

2.1.2. International Declarations on Labour Rights

Declarations and Agreements regarding labour standards are issued by the *International Labour Organization* (ILO), a United Nations agency. Almost all members of the UN are part of the ILO (185 of 193) [15]&[16]. The members of the ILO are legally bound to eight basic labour conventions, even if they have not ratified them. The eight conventions contain inter alia measures against forced labour, discrimination in labour and occupation and are granting fundamental freedoms of expression and association (to see a full list of all conventions, see annex 10.1) [17]& [18]. Today, the ILO holds agreements with other (specialized) agencies of the United Nations, international and regional organizations and unions (e.g. the *Organization of American States*, the *Organization for Economic Cooperation and Development* (OECD), the *Association of Southeast Asian Nations* (ASEAN) or the *European Union* (EU)) [19].

In 1998, the ILO adopted the *Declaration on Fundamental Rights at Work*, on basis of the prior released conventions. The declaration contains four fundamental rights that have to be respected by the member states, although they might not have ratified the according conventions [20]:

1. *“Freedom of association and the effective recognition of the right to collective bargaining”*
2. *“Elimination of all forms of forced or compulsory labour”*
3. *“Effective abolition of child labour”*
4. *“Elimination of discrimination in respect of employment and occupation”*

The fundamental rights stated above are valid to every employee of an ILO member nation, in addition to the human rights already given by UN member states, which have ratified the specific UN conventions^{III}. The labour rights are to be respected by every company of an ILO member state. The fundamental principles are being realized in labour standards. Currently, there are 23 categories, applying to the *NORMLEX Information System on International Labour Standards*^{IV}. Every standard has a specific code, consisting of an introducing letter (“C” for Convention or “R” for Recommendation) and a three digit number. Currently, there are 189 conventions and 202 recommendations. Recommendations serve as non-binding guidelines for companies.

There are also four main conventions on basic company governance rules regarding labour inspection, employment policy and consultation [18]:

- Labour Inspection Convention, 1947 (No. 81)
- Employment Policy Convention, 1964 (No. 122)
- Labour Inspection (Agriculture) Convention, 1969 (No. 129)
- Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)

These four conventions built the basis for the 2008 *“Declaration on Social Justice for a Fair Globalization”*, which reflects *“the wide consensus on the need for a strong social dimension on globalization in achieving improved and fair outcomes for all”* [22].

The ratification of the fundamental conventions and declarations and the concerning principles and rights is being monitored by the ILO by mandatory annual reports. Currently, 47 governments are under obligation to hand in reports about their ratifications progresses. The obligation to report exists as long as the implicit rights are implemented by the particular governments [23].

^{III} Human rights are already granted by UN member states, e.g. in Germany by the first 20 articles of its constitution, the *“Grundgesetz”*.

^{IV} The NORMLEX information systems gives an aggregated overview about the ILO's activities, e.g. regarding *ratification information, reporting requirements, comments of the ILO's supervisory bodies* [21]

2.1.3. Important International Conventions on Sustainability

In addition to conventions on human and labour rights, the United Nations, governments and other organizations hosted conferences, set collective goals and released agendas to achieve progress on sustainable targets. The following chronological overview states important conferences and gives information about their goals, achievements and current status:

- **Foundation “Club of Rome”** (1968)
 - Non-governmental organization
 - Self-description: “[...] a think tank and a center of research and action, of innovation and initiative” [24]
 - Informal group of “leading personalities” with political, business or scientific backgrounds
 - Releases reports about sustainability and future environmental and economic trends, e.g.: *Medows et al., “Limits of Growth”* (1972); *Borghese, “The future of the oceans”* (1986); *Pestel, “Beyond the limits of growth”* (1989); *Weizsäcker et al., “Faktor 4”* (1997) [25]

- **United Nations conference on the human environment: action plan for the human environment** (1972)
 - Declaration of “[...] common principles to inspire and guide the peoples of the world in the preservation and enhancement of the human environment” [26]
 - Proposes the creation of an environmental program

- **Foundation “United Nations Environment Programme”** (UNEP) in December, 1972
 - Coordinates all environmental relevant activities of the UN
 - Especially supports a sustainable development on the African continent
 - Accelerates global information and surveillance systems of environmental developments
 - Releases global environmental guidelines and acts as a platform for conventions on environments (e.g. conventions for the protection of the ozone layer)
 - Initiated the *UNEP Financial Initiative* to support and promote ESG investments by the creation of ethical guidelines for the financial industry
 - Also releases “*Global Environment Outlooks*” about every five years since 1997 (see the *Rio Conference* and the *Agenda 21* below) and other “*Perspectives*” on sustainable issues and their developments [27]

- **Brundtland Report** (1987)
 - The report was released by the *World Commission on Environment and Development* (WCEED), an independent commission from the UN
 - The report ("*Our common future*") showed, for the first time, sustainable development (according to the definition in chapter 2) as a key strategy [28]

- **UN Conference on Environment and Development** (UNCED) in Rio de Janeiro (1992)
 - Very important conference involving many following conferences, conventions and declarations: UN "*conferences of parties*" (COP) on climate, biodiversity, desert, forestry and other "*Rio +5/10/20*" conferences
 - Key results: Release of the *Agenda 21*, the *Rio Declaration of Environment and Development* (including 27 principles for a sustainable development) and the *UN Framework Convention on Climate Change* (UNFCCC) to reduce the output of CO² and other greenhouse gases (in force since 1994) [29]

- **Convention on Biological Diversity** (CBD), 1993
 - Also an result of the 1992 conference in Rio de Janeiro, in force since 1993
 - Consists of three main goals: "[...] *the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits arising out of the utilization of genetic resources, including by appropriate access to genetic resources and by appropriate transfer of relevant technologies [...]*" [30]
 - Includes the „*Clearing House*“ approach to accelerate technical and scientific cooperation, information exchange and coordination
 - Foundation of the "*Subsidiary Body on Scientific, Technical and Technological Advice*" (SBSTTA) [31]

- **Kyoto Protocol** (1997)
 - Legally binding protocol (to inter alia) reduce the emission of CO² and other greenhouse gases (different levels for Japan, the EU and the USA) [Article 3, [32]]
 - Active until the end of 2012, planned to be followed by *Kyoto II* in Doha, Katar (2012) [33]

- **UN Millennium Development Goals** (2000)
 - Eight goals to e.g. reduce poverty and hunger, increase ecological sustainability and improve primary education [34]
- **United Nations Conference on Sustainable Development** (Rio +20) in Rio de Janeiro, Brazil (2012)
 - Resolution includes the *Outcome document: “The future we want”*, which covers the following areas (i.a.): *Political Commitment, Green economy in the context of sustainable development and poverty eradication, Institutional framework for sustainable development*
 - **Relevant for articles for initiatives on corporate sustainable development**

Article 46:

“[...] we support national regulatory and policy frameworks that enable business and industry to advance sustainable development initiatives, taking into account the importance of corporate social responsibility. We call on the private sector to engage in responsible business practices, such as those promoted by the United Nations Global Compact.”

Article 71:

“[...] governments should support initiatives for sustainable development, including promoting the contribution of the private sector to support green economy policies in the context of sustainable development and poverty eradication.” [35]

Besides the declarations and agreements stated above, which are all having a global aim, there are also regional and market specific initiatives, which will be presented for the Real Estate Sector in chapter 5. The following chapter will define sustainability for companies and shows possible models in a corporate context.

2.2. Defining Corporate Sustainability

To begin with, the terms *Corporate Social Responsibility* (CSR) or *Corporate Responsibility* (CR) have to be defined. Both terms are recently used in equal manner, often involving corporate actions showing engagement within the surrounding society or city (e.g. setting up foundations, donation to local clubs or the sponsoring of sports events). This shows the existence of misleading interpretations of actions representing CSR, which could rather be described as actions, referable to *Corporate Citizenship* (CC). But Corporate Social Responsibility has (or should have) an influence on the core business of a company: Profits are to be gained (and

not only used) under regard of ecologic and social responsibilities. Hence, CSR includes the economic dimension as an *additional condition*. From a critic's point of view, CSR is also limited in its ambition. It means, in other words: A company *"needs to be as responsible as society currently expects it to be"* [36]. The *Corporate Sustainability (CS)* approach goes further: the three dimensions (economic, ecologic and social) are seen as one union and the products and services of a company are supporting a sustainable economy and lifestyle (for reference, see the sustainability models *"Cradle-to-Cradle"* and *"Triple Top Line"* below) [37]. There are also other definitions, which are used in economic and scientific contexts^v.

The term *Corporate Governance (CG)* describes practices, ensuring good and transparent corporate management. Hence, it is only indirectly connected to Corporate Responsibility, due to its management only approach (as an example, see the *German Corporate Governance Code*, which is already having a legal basis^{vi}).

At last, *Environmental Social Governance (ESG)* has to be explained. Created by members of the financial world, who primary invest in *Social Responsible Investments* (also see chapter 3.2.1), the term describes the including of social and environmental aspects and governance policies into business validations. The investment valuation process is also being supported by economic indicators [39]. Hence, ESG includes companies, who are having active CSR or CG policies, into the valuation process. The Corporate Governance systems thereby overlay all management systems to ensure ethic and social adjusted strategy and decision making processes.

Critics say, the ESG term is inaccurate and leaves out the economic view, although it surely has to be included into the decision making process. Sustainable investors are interested in a so called *quadruple line* (see the Triple-Bottom-Line model below for reference) of economic, social, environmental and financial performance [36].

2.2.1. Sustainability Models

The thoughts above led to several approaches and models to describe sustainability and the connections and interdependencies between the underlying ecological, economic and social aspects. Depending on the model, one differentiates between strong and weak sustainability. Weak sustainability takes the possibility into account that natural resources are compensable

^v Definition by the UNEP FI: *"A business approach that creates long-term shareholder value by embracing opportunities and managing risks derived from economic, environmental and social developments."* [38]

^{vi} <http://www.corporate-governance-code.de/index-e.html>, Last access: 12.03.2014

by human and physical capital (triple-bottom-line model or three-pillar-model). Strong sustainability involves the higher rating of ecology over the economy and the social dimension (one-pillar-model, pyramid model or weighted three-pillar-model) [40]. Experts are arguing about the relevancies of every model, depending in which field sustainable goals shall be achieved. Regarding sustainability in connection with the economy, the following paragraph shows important models being used in today's businesses.

- **Cradle-to-Cradle-Vision (C2C)**

This model follows the vision of a waste-free economy with no hazardous or health-threatening materials. To realize this vision, the creation of compostable textiles or eatable packaging and the use of pure materials like metal or plastics would be necessary. As well, major changes to the product life cycle management would be involved, because common recycling processes down-cycle products (products of higher value are then used as lower value products). C2C-compliant and certified products would not lose value because they would be reused for the same purpose. As one of the first states, the Dutch *Ministry of Infrastructure and the Environment* tried to achieve a C2C purchase strategy for all areas of public procurement. The target is not fully reached because of the insufficient supply of certified products [41].

- **(Weighted) Three Pillar Model/Triangular Model**

This model is especially favored among members of the economic and financial world. All three pillars are of equal rank and value, meaning that sustainability can only be achieved if all three aspects are taken into account. The model is used in political and economic backgrounds. The first *UN Conference on Environment and Development*, held 1992 in Rio de Janeiro, released the *Agenda 21*, a pro-

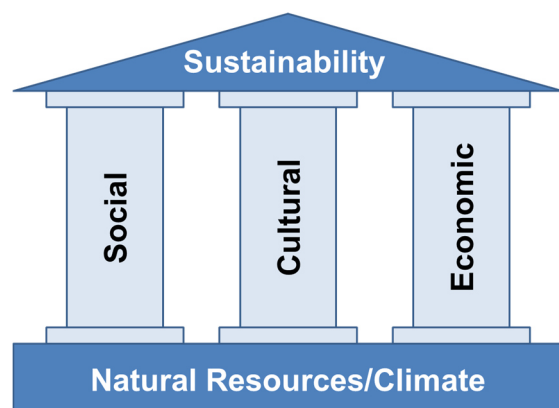


Figure 1 - The three pillar model (with own additions)

gram plan for sustainable development on basis of the basic three pillar model. The concept of sustainable acting should now be common sense, because only a holistic, worldwide approach, would lead to environmental protection. In 1997, the European Union amplified the definition of sustainability with the release of the *Contract of Amsterdam*. According to the contract, sustainability contains natural heritage and also economic and social achievements (like democratic structures). The three dimensions of the model are also being illustrated via a triangular connection, with sustainability as result in the middle (There are also illustrations with three circles which are having the

same meaning). The weighted model adds a fundament under the three pillars, showing natural resources and climate [42]. These fundament has to be protected according to the model, otherwise the pillars will not have a good stand. They could not exist and so, are dependent on the environment. This prioritizes the environment over the other dimensions. A new dimension in the weighted model is the cultural aspect. Current discussions are arguing about adding a fourth political/institutional pillar referring to the trend to Corporate Social Responsibility [43].

- **Pyramidal-Model or One Pillar Model**

These two models are, like the weighted three pillar model, based on the theory that life and economy are dependent on the environment. The economy is understood as a part of society. The following figure illustrates the underlying thoughts of the model. It references to the basic-needs pyramid by the US psychologist *Abraham Maslow*^{vii} [45].

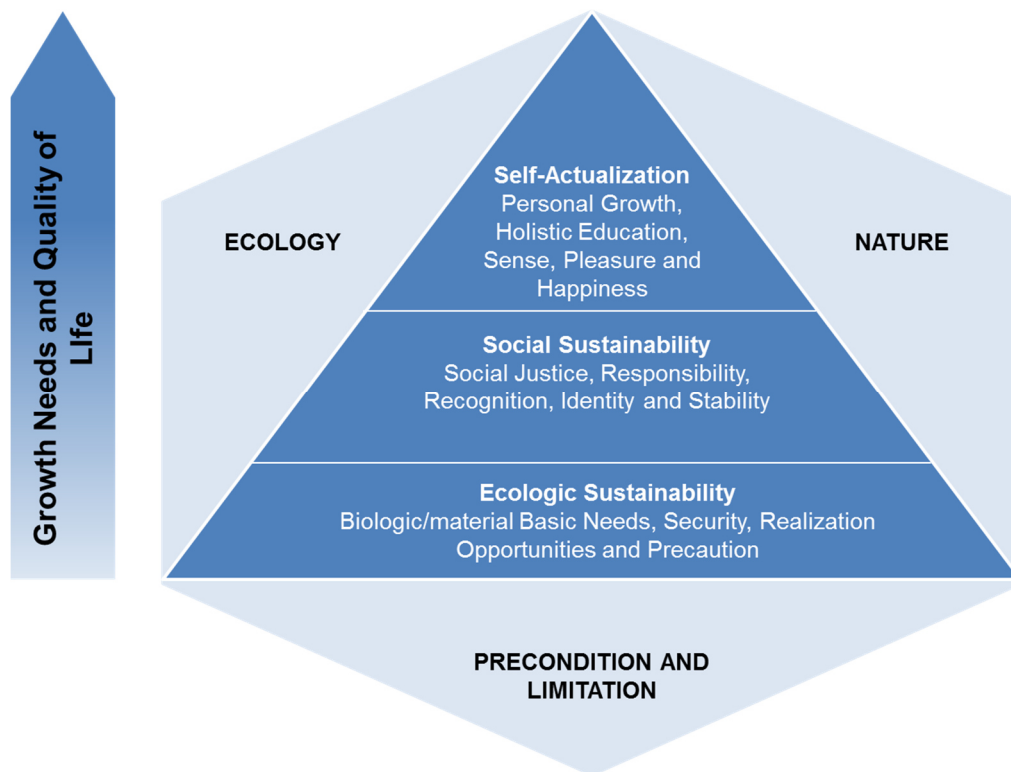


Figure 2 - The Pyramid of Sustainability

The model was created at the University of Darmstadt, Germany in 2013 and sets three limiting factors (ecology, constrains, nature) around the needs of growth in all areas

^{vii} Maslow created his theory of a *hierarchy of needs* in 1943 and fully described it in his book *“Motivation and Personality”* (1954). Today, the hierarchy is often visualized as a pyramid, showing the basic needs at the bottom and self-actualization on top. The model is still very popular in areas of sociology research and management training [44].

(economic, social and self-actualization). The model implies a new understanding of retinity^{VIII}: the interlinking of economic, social and ecologic aspects, containing ethical decision measures and creating an integrative sustainable model [47].

- **Pyramid Model (Carroll)**

In difference to aforementioned pyramidal models stands the *Pyramid Model* by *Achie B. Carroll* (1991). It is seen today as one of the basic models of Corporate Social Responsibility. The foundation is economic acting, enabling the other responsibilities of a company. This shows the big difference to the more ecologic aligned models, mentioned before.

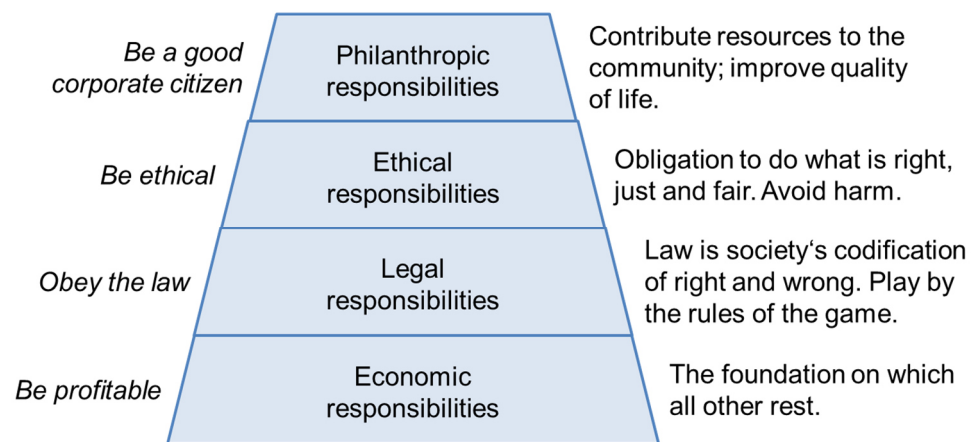


Figure 3 - Carroll's CSR Pyramid [48]

The model has been discussed by scientist, lobbyists and social groups in the last decade. Today, there is a consensus that it should be turned around, raising the importance of ethical behavior and seeing it as the foundation of all other responsibilities.

- **Triple Bottom Line/Triple Top Line**

Companies with active CSR policies are more and more willing to go a step further and adapt their business behaviors to a more sustainable development. Within the financial world, the term "*Triple Bottom Line*" (TBL) describes concepts that show how companies could implement a sustainable orientation into their core business. In 1997, *John Elkington* released his book *Cannibals with Forks*, giving a detailed description about his new approach of extending the bottom line of the profit and loss account with a social and ecologic dimension. Hence, the company's success should no longer only

^{VIII} Definition: A human being, accepting his responsibility against nature, has to consider the interlinking of the natural and the cultural world and all implied impacts in his acting [46].

be measured in economic profit, but also in social and economic benefits. Companies around the world adapted this approach as a part of their sustainable reporting [49]. The TBL is based on the Three Pillar Model and its implications, but it extends it with the help of key indicators, which shall make the success measurable a company achieves by its actions in social and environmental fields and by the help of CSR policies. Targets have to be reached in all three areas, otherwise the bottom line will not show any success in total. Therefore, the interdependencies between the three dimensions have to be under strong consideration. The targets of TBL are to increase the support of CSR policies by all stakeholders and to enable the implementation of internal and external rating and certification systems for a wider consideration of sustainable goals [50].

On basis of the TBL, *William McDonough* and *Michael Braungart* released their concept of a *Triple Top Line* in 2002. The main goal of this model is to create products that “*enhance the well-being of nature and culture while generating economic value*” [51].

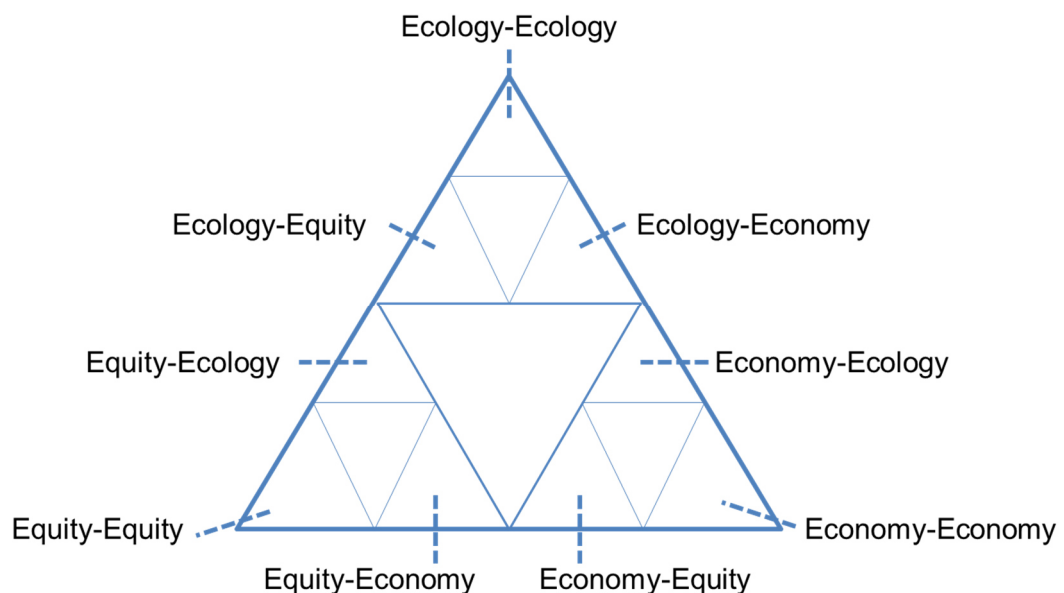


Figure 4 - The fractal triangle according to the Triple Top Line [51]

The figure above shows the connections and interdependencies between the three dimensions of the model: economy, ecology and equity (representing the social fairness component). According to the Triple Top Line theorem, these dimensions are to be realized and fulfilled by the *intelligent design* of products all in once, optimizing and maximizing the value of the product. This stands in clear contrast to the TBL theory, where all dimensions are balanced under one bottom line. The authors see their model as a “*strategic design tool, generating new business opportunities and Triple Top Line growth*” [51]. In addition, the Triple Top Line design could be seen as the main goal the *Cradle to Cradle* concept wants to achieve [52].

The next paragraph shows how companies could present sustainable developments on basis of one of the aforementioned models to the public: via *sustainability reports*^{IX}.

2.2.2. Sustainability Reporting

Nowadays, companies are seeking for more transparency, voluntary or obligated by governmental regulations. The importance to disclosure relevant information (revenues, profits, debt, and progress on governance or sustainability policies) to the share- and stakeholders of an enterprise (e.g. customers, employees, investors, policymakers or analysts) is growing. The demand for the accountability of sustainable progress has created a new trend: the publication of annual sustainable reports. This opposes companies to the problem how they should collect, analyze, process and compile the needed data. Hence, there is a need for assistance, which could be realized by voluntary initiatives like the *UN Global Compact*, offering specific toolkits, strategies and best-practices (see chapter 4 for details) [53].

Depending on the economic sector, sustainability reports highlight different areas and may contain different information. Similarities are to be found in the basic structure, which should typically contain [54]:

- A short *company profile* with current operating figures: e.g. revenue, employees, products, services, area of operations and affiliates
- An overview about a company's *strategies and management practices and systems* regarding the company's responsibility in ESG areas
- Specific *aspects of operation* concerning the environmental performance of the company during the last year(s): e.g. energy consumption, share of renewable energies, emission of greenhouse gases and other air pollutants, disposal and waste generation, water management and use of resources
- *Product specific aspects* according to the product lifecycle and all along the supply chain: e.g. origin of materials, product development (e.g. referring to *intelligent design*), distribution and logistics, environmental impact during the exploitation phase and information about disposal or recycling at the end of the product life cycle
- *Employee specific aspects*: e.g. CSR concerning employee health and safety, employee training, measures to corporate governance (e.g. equal ranking and treatment, non-discrimination)

^{IX} There are also terms in use with similar meanings: "*CSR-Reporting*" or "*CR-Reports*"

- *Customer and supplier specific aspects*: collecting of customer requirements, information policies, integrity measures for suppliers
- *CSR and Corporate Governance*: e.g. compliance rules to meet current governmental regulations, laws and standards; measures against corruption, reports about lobbying activities and participation in sustainability initiatives (like the Global Compact)
- *Economic aspects*: e.g. competitiveness (also regarding sustainable aspects and risk evaluations to achieve them), regional relevance of the company
- *Targets and measures to achieve higher sustainable performance*: e.g. indicators, measurement systems
- *Contact details*

A study from *EY* and the *Boston College Center for Corporate Citizenship* in 2013 (*Value of sustainability reporting*) revealed that over 95% of all *Global 250*^x companies are offering sustainability reports. The study further states, companies could achieve competitive advantages by an open information policy or could improve their access to capital by communicated product and management quality [55]. There are several ways how companies could arrange, analyze and publish their data about corporate sustainable and ESG activities. According to the study, the *Global Reporting Initiative* (GRI) is the *most widely adopted framework* of sustainable reporting. The GRI and the UN Global Compact are working together on a strategic level, underlining the worldwide importance of both initiatives and enabling synergies between both initiatives in reaching sustainable goals (see chapter 4 for details). The current reporting framework is called *G4*, replacing the *G3* reporting standard [56]^{xi}.

Although many of the big players are publishing sustainable reports, there still remains a big group of companies without an active CSR or sustainability strategy. For example, the situation in Europe is as follows: According to the Commission of the European Union (EU), only 2.5% of the biggest 42,000 companies in the EU are having a strategic approach to CSR and less than 10% are offering information about sustainable and CSR concerns on a regular basis [57]. Since 2011, the European Commission (EC) *strongly* advises companies to integrate CSR into their strategy. In April 2013, the European Commission presented plans to regulate the publishing of sustainability reports. Therefore, for companies of EU member states with over 500 employees or net-revenues of over €40 million, the annual release of a sustainability reports shall become mandatory.

^x The “Global 250” is a listing of 250 companies with the highest global revenues in one year

^{xi} The G3 Standard stays valid until the end of 2015.

This would apply to 18,000 companies across Europe. According to experts, the sustainability reporting obligation could presumably be started in 2016. This would also be the year where the old G3 reporting standard becomes invalid [58].

The governments of countries all over the world are also setting targets or regulations regarding CSR strategies and sustainability reporting. According to the *EY and Boston College Center for Corporate Citizenship Report*, the following countries have already “required or encouraged some level of sustainability reporting” (see chapter 3.2.3 for further details on regulations) [55]:

Table 1 - Countries with active sustainability reporting support

Argentina	Germany	Mexico
Australia	Greece	Netherlands
Austria	Hungary	Norway
Brazil	India	Saudi Arabia
Canada	Indonesia	Singapore
China	Ireland	South Africa
Denmark	Italy	Spain
Ecuador	Japan	Sweden
Egypt	Korea	Turkey
Finland	Luxembourg	United Kingdom
France	Malaysia	United States

Information about a company’s progress on sustainability could also be included into an *Integrated Report*. An *EY* report from 2013 (*Insights for executives*), shows the growing demand for clarifying information, because most annual reports only consist of financial (e.g. management and measurement) and non-financial aspects (e.g. operational, structural and risk management information). An integrated report would offer a more holistic approach, showing a company’s value development over time and would also improve existing business processes. Reporting Initiatives around the world (see chapter 4 for details) are currently working on a globally recognized integrated reporting standard framework, which also favors the integration of sustainable and ESG issues [59].

The next chapter illustrates how NGO initiatives like the *Global Compact* establish partnerships with the private sector to favor CSR and sustainability related goals.

2.3. Partnerships for Sustainability

The challenges of our modern world are of increasing complexity. Issues like climate change, financial crises, the growing difference between the poor and the rich and the global prosperity gap between the northern and the southern hemisphere are not solvable without partnerships between relevant stakeholders. Non-governmental organizations or initiatives for sustainable development^{xii} are an important link to enable cross sector cooperation, allowing to solve global problems. According to *Nelson and Zadek* (2000), initiatives like the Global Compact^{xiii} are so called *New Social Partnerships*. They define these partnerships as follows [60]:

“People and organizations from some combination of public, business and civil constituencies who engage in voluntary, mutually beneficial, innovative relationships to address common societal aims through combining their resources and competencies.”

By joining a partnership, participants are willing to reach a common goals together with joined resources, knowledge and information. The motivation grows and compliance issues get a higher attention due to self-controlling *group effects*. The goals of a partnership in regard to (corporate) sustainability could be categorized in two groups (according to *Nelson and Zadek* (2000)):

- *“Generating societal benefits, often for people or groups that are not participants in the partnership”*
- *“Generating benefits directly for the participants”* [60]

The benefits for the society or other groups could also be indirect benefits for the participants, but direct advantages and benefits surely play a higher role in regard of the decision to join an initiative. Firms that are working together on a voluntary basis with initiatives or partnerships for sustainable development have the advantage of getting the expertise or best practices on these issues, leading to possible cost reductions within the related implementation process. In addition, the reputation of companies may be improved against competitors, giving them economic advantages.

^{xii} Also: Non-profit organizations (NPOs)

^{xiii} The Global Compact initiative itself cannot be regarded as a NGO, because it belongs to the United Nations. But the open structure of the initiative also allows NGOs to join and thus working together with companies on a global level.

The following table gives an overview about the classification of cross sector partnerships on an economic level:

Table 2 - Levels of Corporate Sustainability partnerships [60]

Level	Institution	Association	Business	Objective of the partnership/network
Macro	Supernational (i.e., United Nations)	Supernational (i.e., International Labor Organization – ILO)	Multinational corporations, large businesses	Predisposition to codes of conduct ethical standards, certifications (i.e., Global Reporting Initiative – GRI; UNGC 2007)
				Fundraising for ad hoc projects
Meso	Regional government	Local (i.e., trade unions, industrialists, third sector)	Small-scale businesses (SMEs)	Diffusion of socially responsible practices among enterprises in the territory
				Development of guidelines/procedures for obtaining certifications (i.e., environmental, social, ethical)

There are several types of partnerships, to address the relevant stakeholders or in regard of the common goals. For instance, *Public-Private Partnerships* (PPP) between companies and governmental institutions are increasingly used in infrastructural projects. *Round Tables* and *Regional Networks* bring together all share- and stakeholders who are involved in a certain topic and can be hosted by NGOs or governmental entities (meso-level). A macro level partnership between Business and NGOs could be established by a voluntary initiative like the Global Compact, which shall provide solutions on the fields of sustainable development, human and labour rights, environmental issues and anti-corruption measures.

Furthermore, private sector initiatives are filling the gaps that are left by governmental regulations, meaning companies are setting additional *private laws* for themselves by the commitment to a code of conduct or another voluntary standard [61]. As *Sethi and Schepers (2013)* state in their report, participating companies are willing to “voluntarily undertake additional costs toward reducing negative externalities emanating from their operations, which may adversely impact their overall profitability and competitive position in the marketplace” [61].

Voluntary private-sector initiatives and their codes of conduct can be categorized according to the goals, the initiatives want to achieve and if the initiative is governmental-led or acts on a voluntary basis. The following table illustrates four possible levels of addressing sustainability among business members. The first category, *awareness-raising initiatives*, wants to create a common understanding about sustainable issues and wants to show ways how companies could engage in the areas of environment, society and governance. The next category, *partnering*, takes sustainable engagement on a new level: companies have to think *outside the*

box and involve their stakeholders and other companies or government authorities into their business practices. The third category, soft law, addresses voluntary codes of conduct like the Ten Principles from the UN Global Compact and so, the aforementioned *private law* [62]. These codes shall act as amendments to current regulations and could also be adapted to certain industry sectors or specific areas of sustainable development. The last category, *mandating*, involves governmental activities, because it contains mandatory positions like company laws or reporting/disclosure regulations. These kind of initiatives will not be in focus of this thesis.

Table 3 - Types and specification of initiatives^{XIV} [62]

Awareness-raising	Award schemes, information platforms, campaigns, training and capacity building measures, disclosure of payments to public institutions, naming poor performers, labeling, toolkits.
Partnering	Multi-stakeholder involvement, public-private partnerships, collective action efforts, roundtables.
Soft Law	Corporate governance codes, codes of conduct, implementation of international principles, guidelines for CR reporting, tax exemption for philanthropic activities, linking CR aspects to public procurement procedures and export credit boards.
Mandating	Company laws, regulations for pension funds, stock exchange regulations, laws on CR reporting, penalties for non-compliance.

So, an initiative could act as a platform, bringing together stakeholders from, for example, the Real Estate Sector (society, investment and construction companies, politicians and other parties) and also set voluntary laws, which could flexibly fill potential regulatory gaps. Depending on the focus of the initiative, voluntary codes could also be valid for companies on a global level (macro-level). This becomes very important, as in times of globalization, companies are also acting on a worldwide level, often through their subsidiaries in many parts of the world. Nevertheless, the great number of small and medium-sized enterprises (SME) has to be reached, too. This leads to specialized concepts, to integrate and address all types of companies. For instance, the Global Compact initiative is able to establish exchange and cooperation on a global and regional level with the help of its *UN Global Compact Local Networks* (for details, see chapter 4).

^{XIV} CR = Corporate Responsibility. *Remark: Equal meaning compared to Corporate Social Responsibility is expected.*

2.4. Summary

The models mentioned above have similarities and differences in favoring either the ecologic or the economic side. There is a great discussion going on among members of the economic and scientific world, arguing about which definition or model is appropriate for which circumstances. Especially the Three-Pillar-Model or the Triple Bottom Line model are favored by a majority, seen within the economic context. The fact that global companies are even challenging themselves for better sustainability reports (on a voluntary basis), amplifies the importance of corporate sustainability as a major trend and future focusing of companies strategies^{xv}.

Within this chapter, the international background to our present understanding of sustainability has let us to the definition of corporate sustainability. Several models have been presented, how sustainability could be introduced in regard to social, economic and environmental aspects. These models and the therein mentioned dimensions shall now be the basis of a sector specific approach for the Real Estate Business in favor to achieve Corporate Sustainability (chapter 3).

^{xv} Once a year, the “Corporate Register” organization, an online directory of CR/sustainability reports, delivers *“the world’s first global and independent awards for CSR reporting - the CRRRA”* [63].

3. The Real Estate Sector and Corporate Sustainability

This chapter will give an overview about the characteristics of the Real Estate Sector, its participants, the products and the market itself. It also explains the relevance of sustainability for this sector and shows current trends and developments. Knowing these characteristics is essential to recognize the need for initiatives like the United Nations *Global Compact*, which will be presented in chapter 4.

3.1. Characteristics of the Real Estate Sector

3.1.1. Definition

The traded commodities of this industrial sector are estates, containing apartments, buildings and properties or thereby related investments. The Real Estate Industry covers the following economic functions [64]:

1. Satisfying the human basic need for shelter: the construction of new Real Estates
2. Supplying services to ensure a short and long-term maintenance of value
3. Offering investment opportunities (e.g. Leasing, Real Estate Investment Trusts)

All three functions stand in close connection to each other.

3.1.2. The Market, its Participants and its Products

Real Estates are commodities with specific characteristics. Unlike other goods, they are unique, location bound, long-living and heterogeneous. Their production time is very long, because not only the construction with possible unforeseen deferments takes time, but also the processes of approving at the beginning of their life cycle. These properties lead to a special market situation. The supply elasticity of this sector is very low, due to the long production time. The supplier's reaction on an increase of demand is always temporally delayed, causing investment risks and uncertainties. But investors need certain securities on future cash flows, because a Real Estate Investment is, in many cases, connected with a high capital commitment over a long lifetime. In addition, the transaction costs on this markets can be very high, if estates are sold or the rights of use are transferred: notaries, realtors, and taxes have to be paid.

Due to the amount of participants (sellers and buyers, investors, construction and service companies etc.), types of products (leases, wholesale, investments and assets) and parallel organizational structures, the transparency of this market segment is not given in all cases [64]. The following figure gives an overview about the structure of Real Estate markets and its participants.

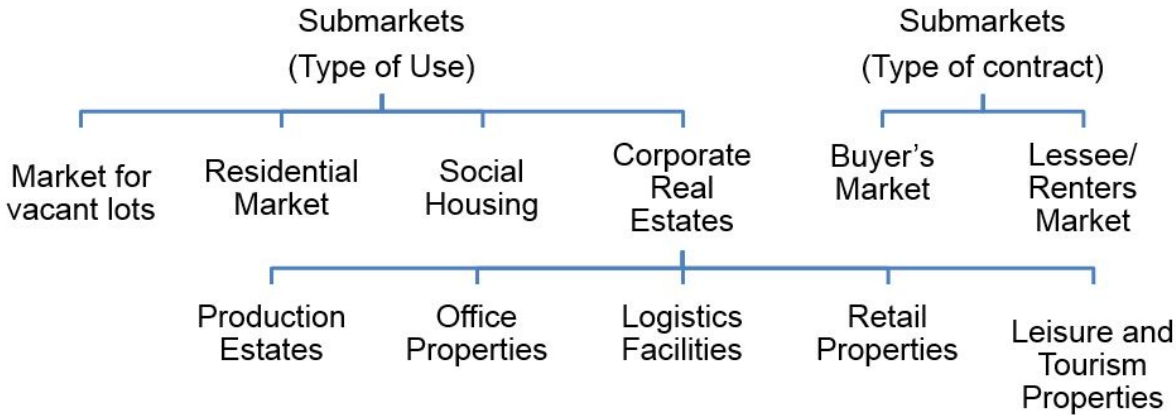


Figure 5 - The Real Estate markets [64]

The figure below shows the differentiation between an estate as production result (created by *construction companies*) and production factor. The investor is either a natural person or a legal person. The second one leads to specific forms of investments and investment companies.

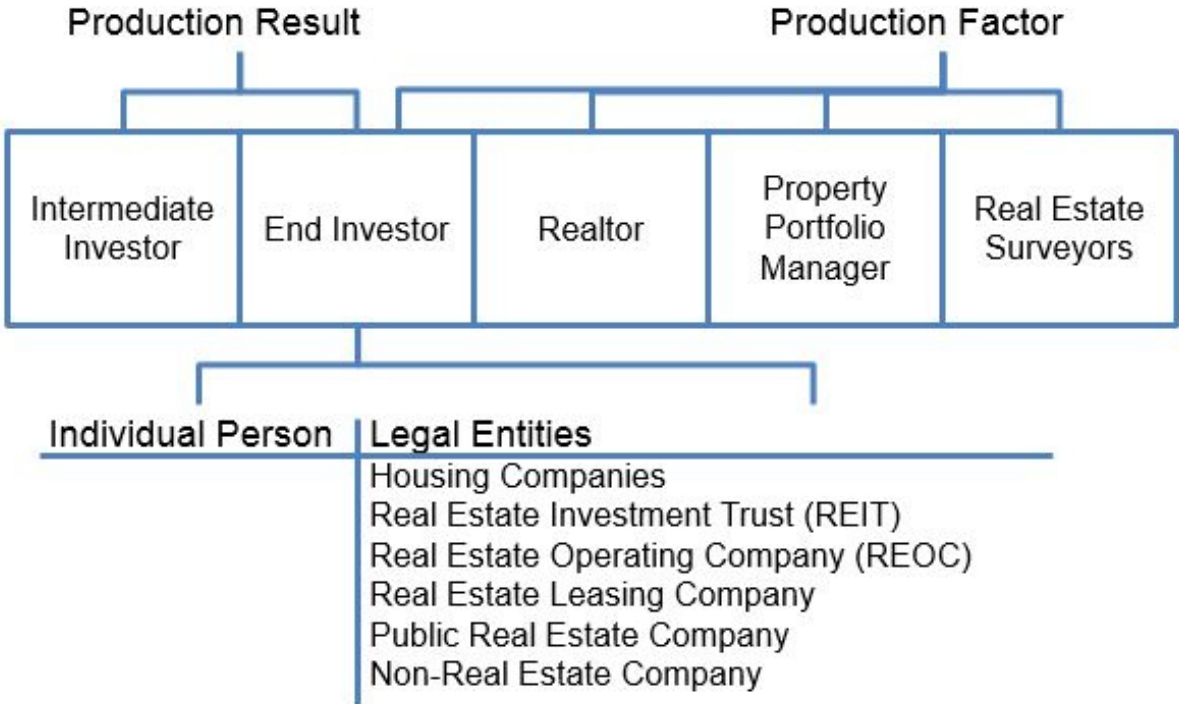


Figure 6 - Real Estates in different use cases (with own additions) [64]

The investment products of the Real Estate market are dividable into direct (buying and renting estates) and indirect financial assets (estates in free floats). This two groups represent the private and the public market^{XVI}. The first one involves private equity and private debt investments (investment in a single property or money lending to a purchaser). In contrary to the private market, assets on the public market do not consist of direct ownerships or investments. Investors are free to purchase shares of a Real Estate Investment Trust (REIT) or a Real Estate Operating Company (REOC). The shares are secured by the underlying assets. These companies are allowed to invest in assets in form of equity or debt investments (of commercial Real Estate).

If REITs or REOCs are acting as a debt investor, they will invest in so called *Mortgage backed securities* (MBS). These forms of investments are differentiated in *Commercial Mortgage Backed Securities* (CMBS) and *Residential Mortgage Backed Securities* (RMBS) [65]. This financial instruments are tradable bonds, covered by a pool of mortgage loans. By this, the overall risk should be reduced [66]. In Germany, REITs are structured as “*Aktiengesellschaften*” (limited companies), in the US the legal forms are either trusts or corporations. The legal forms and the thereby connected legal obligations of REIT differ around the world [67].

The next chapter will give an overview about recent developments on the Real Estate market and how the aforementioned products are involved in these progresses.

3.1.3. Recent developments on the Real Estate Market

The Real Estate sector has a great macroeconomic significance around the world. The four key markets for Real Estate are the Americas, Europe and Middle East Asia (EMEA) and Asia Pacific^{XVII}. After the Global Financial Crisis started in 2008, the Real Estate market had to recover from a long time down. At the beginning of 2014, the market has recovered and has gained strength again. This development is supported by a global GDP (Gross Domestic Product) growth (of expected +3.3%), leading to business confidence and lowering risks. Emerging markets await a growth rate of 5.3%, boosting the rest of the world, especially the exports of the West [68].

^{XVI} The forms and definitions of financial products within the Real Estate Sector are dependent of the analyzed country. The author takes the American and German definitions into account within this thesis.

^{XVII} The author sets the focus of his investigations on these markets within this thesis.

Investment Markets

Compared to the year 2012, the sales transactions went up 21% percent to an overall rate of US\$ 563 billion. The volume of direct commercial Real Estate Investment of last year's fourth quarter almost hits US\$ 200 billion, the highest level since 2007. Record transaction levels were reached in China, Australia, Canada and Singapore [68].

The competition on core assets (whose quantity is limited) is expected to stay very strong, so investors are willing to take higher risks. The direct investment market, both equity and debt, showed strong growth rates:

Table 4 - Volumes of Direct Commercial Real Estate Investment [68]

\$US bn	Q3 13	Q4 13	% change Q3 13-Q4 13	Q4 12	% change Q4 12-Q4 13	2012	2013	% change 2012-2013
Americas	63	88	39%	75	18%	204	241	18%
EMEA	47	72	53%	61	18%	161	195	21%
Asia Pac.	30	37	24%	27	39%	98	127	29%
TOTAL	141	198	41%	162	22%	463	563	21%

The Asia Pacific Region has reached its before-crisis-level, making it the first region to do so. In 2014, a new record year is expected for this region. The debt markets are recovering especially in the US. The European debt markets are still lagging behind, but are also on an upward trend. Investors are up to invest into new assets and so, the investments in the hotel sector went up 40% and *second-tier cities*^{XVIII} were able to gather more capital for real estate investments in 2013. The Top cities (tier one) in 2013 where London, New York, Tokyo, Paris and Los Angeles. *Jones Lang Lasalle IP INC.* expect in their *Global Market Perspective 2014* a growth of Direct Commercial Real Estate Investments in the US of about 20% and around 10% in Europe. Figure 7 [69] shows the investment sums across Europe during the first three quarters of 2013. The highest investments were made in the United Kingdom, Germany and France.

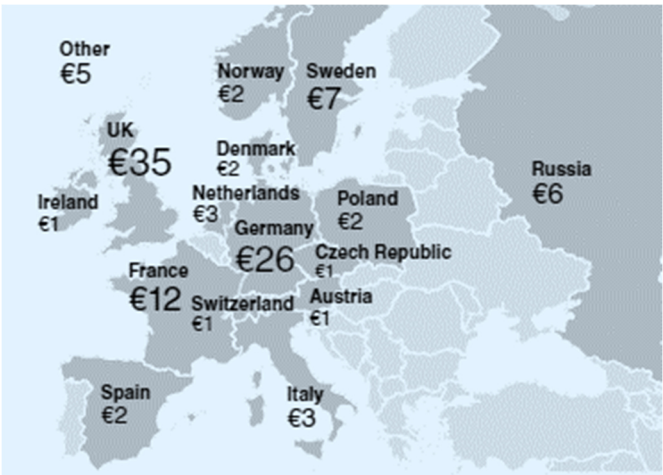


Figure 7 - Investments in Real Estate across Europe, Q1-Q3 2013, in billion Euros

^{XVIII} Tiers are groups of cities, which have been categorized according to specific economic and social indicators like the development of rents, population and wealth.

These positive developments lead to an overall positive investment outlook, but could be suppressed by the risk of new macroeconomic instabilities. The steering of interest rates (increase and decrease) has a great effect on financial markets.

Office leases & rentals

In this submarket, companies are seeking for cost efficiency and stable rents. This opens this market to sustainable buildings with longer lifetimes, higher flexibility and functionality, lower maintenance costs and higher energy efficiency (lower utility costs). The US leasing market showed an annual growth of 7%. In Europe and Asia Pacific, markets are recovering and show 18% and 6% increases in office leases during the last quarter of 2013. In contrary, if taking the whole year into account, the lease volumes in Europe fell down 4%, in Asia Pacific even 12%. For 2014, a global increase of office demand is projected. The rental growth on prime assets^{XIX} (including 25 major office markets) was on a very low level in 2012 (2.1%) and 2013 (only 1.6%) globally (the only exceptions are to find in London and Dubai). *Jones Lang Lasalle IP INC* expect a growth of 4% in 2014, taking the positive overall market outlook into account.

The following paragraph sets a closer look on the markets in the US, Europe (especially the strong Real Estate markets in Germany and the UK) and Asia Pacific.

Residential Markets

Looking on residential markets shows also a positive development. The multifamily occupancy rate in the US stands at a high level of nearly 96% (which hasn't been reached at the last 10 years). The renter demand is expected to be stable because of job growth and other developments like household formation, also preventing oversupply and keep the market in balance [68]. According to the US Census Bureau (February 2014), the demand for houses is rising again: 16.3% new homes were bought in 2013 compared to 2012. Before the global crisis (1990-2007), an average of 1.5 million housing starts were registered every year. In 2011, only 584,900 units were newly built (see figure below). But in September 2012, already 582.500 housing starts were recorded, showing an upward trend and an increase of 26.7%. Adding these newly started housing projects, the US Census Bureau's statistics show a total number of 4,275,300 units under construction (a rise of 13.2% (year to year) in the January – September 2012 period). The Federal Housing Agency (FHFA) states a 7.58% price purchase only

^{XIX} Corporate Real Estates with high economic value and property quality compared to others at a specific location

price index rise (year to year) in November 2013 [70]. On contrary to the house prices, which plunged deeply in 2008, rents on the US markets remained more or less static.

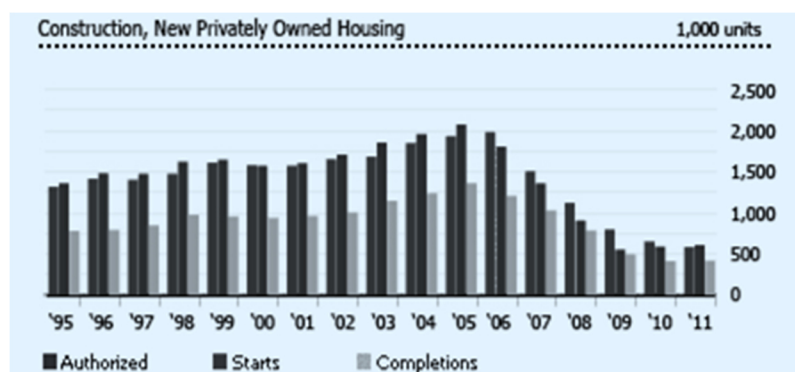


Figure 8 - Privately owned housing projects authorized, started and completed in the US [70]

On the most Asian markets, high-end residential sales are often subdued and restricted (HPR in China, extra stamp duties in Singapore and Hong Kong). To prevent further price increases, the Chinese government imposed new counter measures. Within the high-end residential segment, sales are expected to remain on the same level as in 2013 (the same accounts for residential leasing). The Asian residential market is still one of the most important fields for Real Estate investments. The figure below shows the contributors to the global growth of commercial Real Estate Value and marks the importance of the Asian countries, now and in the future:

Table 5 - Values of Real Estates around the world (2011 and forecast) [71]

		Real estate value in 2011 (Billions of U.S. dollars)	Growth 2011 to 2012 (Billions of U.S. dollars)	Contribution to global real estate growth
1	China	1,863.9	7,877.4	35.5%
2	United States	6,752.7	3,537.0	16.0%
3	India	350.4	1,279.6	5.8%
4	Russia	619.6	1,078.7	4.9%
5	Brazil	883.7	1,054.3	4.8%
6	United Kingdom	1,370.3	582.2	2.6%
7	Indonesia	189.1	563.0	2.5%
8	South Korea	467.4	465.9	2.1%
9	Canada	784.4	431.6	1.9%
10	Japan	2,678.0	394.7	1.8%
11	Germany	1,614.6	362.7	1.6%
12	Turkey	239.8	339.2	1.5%
13	Singapore	241.1	304.6	1.4%
14	France	1,247.9	280.4	1.3%
15	Mexico	369.6	258.4	1.2%
16	Australia	656.1	235.8	1.1%
17	Poland	186.3	198.4	0.9%
18	Others	6,044.0	2,920.7	13.2%
	Total	26,559.0	22,164.0	100.0%

Looking on the developments in Europe: In the UK, prices on the residential markets went up 5.5% nationally [72]. As well as in the US, the government tries to stimulate the prices on the Real Estate market. Housing affordability remains a big issue in the future, especially in London. During the first two quarters of 2013, the value of new housing orders^{xx} went up 16% in the private sector and 31% in the public sector. The output increased as well: according to the *Office of National Statistics*, the output of the private sector hit the same level in the first quarter of 2013 as in third of 2008. Within the second quarter of 2013, the construction industry had a share of 6% of the UK's GDP. A share 19% of this number is referred to new housings in the same period [73].

The German Real Estate market showed consolidation trends in 2013 (sale volumes hit €5.5billion). Prices for portfolios rose from €860 per square meter to €1,000, showing big investment willingness [68]. The revenues in the construction sector grew with an overall percentage of +2% during the period from January to November, compared to the same period in 2012. The revenue through property construction grew 2.7% for involved companies in the aforementioned timeframe in 2013. A plus of 12.9% new permissions for newly built apartments regarding 2013 and the year before, followed by an increase of 9.2% for the authorization of new buildings, underlines a strong year for the residential market in Germany [74]. In addition, it shows potentials for the construction of sustainable housings, e.g. by being part of the portfolios of real estate investment companies.

3.2. Sustainability within the Real Estate Sector

This chapter wants to give a brief overview about current developments and recent issues concerning the growing importance of sustainability and corporate social responsibility within the Real Estate Sector. Furthermore, the dimensions of environmental and social governance are shown in the Real Estate context. Strategies are being introduced how to achieve a higher Corporate Sustainability performance. A first attempt could be become a member of a voluntary CSR and Corporate Governance initiative. Therefore, the last part of this chapter shows why there is a need for private sector initiatives.

^{xx} Not equal to the output of new housing, which is only registered in the statistics if properties are completed.

3.2.1. Sector specific Approach

The Real Estate Sector needs specific strategies to enable sustainability on the Real Estate market, among its participants and governmental regulations. Before the creation of compliance rules, the sector has to be analyzed to ensure specific approaches that shall lead to Corporate Social Responsible behavior. For example, it is important to know, which stakeholders are involved in Real Estate construction projects and how these projects influence the society, the environment, the company and its employees. In addition, there are governmental regulations which have to be respected: e.g. anti-corruption and anti-bribery policies, construction authorizations or limitations in the use of hazardous materials.

Defining Corporate Sustainability for the Real Estate Sector

The definition of sustainability within the Real Estate Sector has to apply for all areas and products (Construction, Investments, Employees, Society, and Environment). Thus creates a challenge to find an appropriate definition. *Lorenz, D. and Lützkendorf, T. (2014)* choose the following management-based approach:

“Corporate Real Estate Sustainability Management (CRESM) thus refers to the integrated management of all economic, environmental and social aspects of an organization’s real estate activities and associated investment decision-making. It comprises and applies to all relevant strategies, processes and organizational structures that support corporate governance and sustainable business and product development.” [75]

Another definition is given by the “ZIA - German Property Federation” in their guidebook “*Sustainability - Code, Reports and Compliance*^{xxi} [76], published in March 2013:

“[...] Sustainability implies the universal objective to handle the natural environment and the economic, social and cultural values in a responsible and forward-looking manner that takes future generations into account, and to manage a given company along the lines of corresponding corporate governance. In regard to property, sustainability is acknowledged as an indispensable quality characteristic that extends across the entire lifecycle and the entire supply chain. It is supposed to contribute to the enhancement of the urban-planning and socio-cultural environment for people.”

^{xxi} Preamble of the “*Principles of Sustainability*” for the Real Estate Sector by ZIA, “*3rd Revised and Amended Edition*”

The definitions above include (or generally state) all aspects of a holistic approach to sustainable development: good governance, transparency, sustainable products and economic efficiency. As described in chapter 2, all three dimensions (economic, social, ecologic), stand in close connection and depend on each other. Measures to achieve sustainability have to include all three dimensions and cannot be applied “*autonomous from each other*” [76].

Depending on the company type, the importance of specific issues could vary due to different stakeholders and thereby diverging interests. For a construction company, having a sustainable supply chain for sustainable building materials is from high significance. Financial Institutes should be willing to offer *sustainable investments* and the relevant context, because as mentioned before, investors are seeking for such investments but also need valid and full information about a company’s ESG performance.

Areas affected by the Real Estate Sector

Achieving Sustainability within the Real Estate Sector is only possible by a holistic approach that integrates measures for all participants of the market. The focus of this thesis is set on measures achieving corporate sustainability. The following figure shows involved stakeholders having an influence on sustainable issues from a company’s point of view.



Figure 9 - Dimensions of sustainability within the Real Estate Sector [76]

The company is represented by its *management* and *employees*, the society by the views of the *public* and *Non-Governmental Organizations* (NGOs). The influence of governmental regulations is represented by the *politics* area. The figure above shows the clusters 1-7, referring to a system introduced by the *ZIA German Property Federation*. The clusters reflect the big diversity in the Real Estate economy, with properties as a key reference. In addition, the clusters also highlight important stations during the life-cycle of a property:

1. Investment and Financing
2. Producing
3. Using
4. Operation & Letting (including maintenance)
5. *Own Addition*: Reusing or Deconstruction

Possible activities and stakeholders of every cluster are aggregated in the following illustration:

Table 6 - Activities in the Real Estate sector [76]

	Spheres of activities	Examples
Cluster 1: Producing	Developing, planning and building properties	Contractors, project developers, principals, architects, suppliers
Cluster 2: Operating & Letting	Administrating, letting, managing and operating properties, services	Portfolio holders, property managers, facility managers, technical and commercial services
Cluster 3: Investing	Buying, managing and selling properties	Investment companies, real estate companies
Cluster 4: Financing	Financing existing properties, construction projects, and companies	Banks, insurance companies
Cluster 5: Using	Occupying and renting properties	Companies, tenants (private individuals)
Cluster 6: Advising	Providing strategic, organizational, legal, business, fiscal and technical consultancy to the real estate industry	Business consultants, tax consultants, attorneys, advising engineers
Cluster 7: Researching & Teaching	Developing qualifications and professional skills in the real estate industry	Higher education institutions, research institutions, industry associations

The clusters 6 and 7 could be also fulfilled by voluntary initiatives like Global Compact. These initiatives are able to provide the necessary platforms, because knowledge transfer and the sharing of best practices are essential for unexperienced companies that want to improve their sustainable performance. Cluster 3 and 4 show the views of Real Estate Investment companies, banks or insurance companies. Including sustainable aspects into investment decision is an *emerging trend* on the Real Estate market (see chapter 3.2.2 for details). Investors and Real Estate companies distinguish lower risks on investment objects with sustainable background. This leads to the explanation of *Social Responsible Investments* (SRI).

Social Responsible Investments

Figure 10 shows the classical *triangle of investment targets* on the left-hand side. Investments have to be balanced between security, return and liquidity. The sustainable or responsible aspect enlarges the investment decision process. The fourth dimension includes ESG aspects that have to be taken into account by decision makers, if they want to offer SRIs.

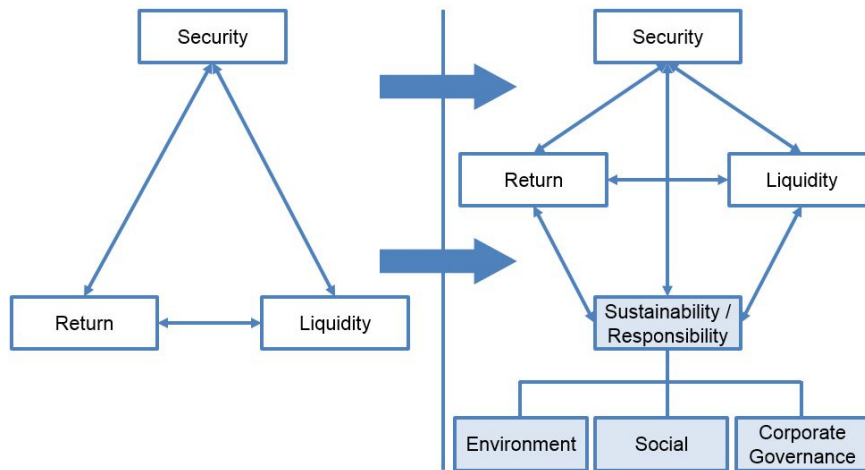


Figure 10 - The extended triangle of investment targets [75]

The portfolios of REITs and other Investment companies have to be adapted as well to the new *square of investment targets*, if these companies want to integrate sustainable targets within their business.

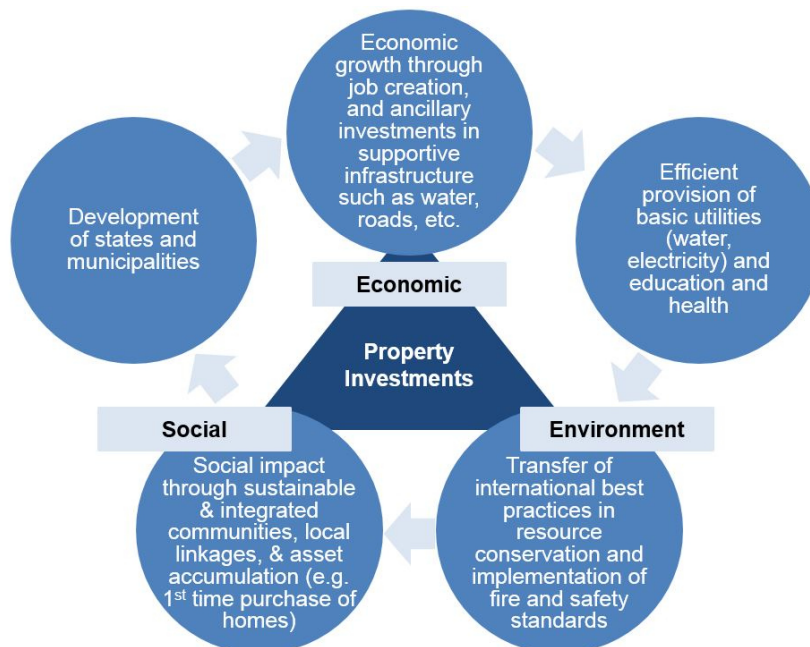


Figure 11 - Positive Impacts of Sustainable Property Investments [77]

The positive impacts of sustainable property investments and their impacts on social, economic and ecologic issues are shown in Figure 11. Although the impacts above have been

specified for the developing world by the *International Finance Group (IFC)*, a member of the *World Bank Group*, they are also valid for developed countries, especially in the relation of economic growth and the efficient use of natural resources. The World Bank Group is part of the United Nations framework and acts as an international financial institution, offering financial resources to developing countries. The IFC primary invests in developing countries and wants to encourage the private sector to more investments and growth. As well, sustainable aspects are being considered from the beginning of every financial help project [78].

General and sector specific sustainable goals

This paragraph will highlight the targets that shall be reached with sustainable measures. Therefore, the following sustainable goals per sustainable dimension could be defined:

Table 7 - Targets of sustainability [79]

		Ecology	Economy	Socio-cultural aspects
Protective goods	Sustainability in general	<ul style="list-style-type: none"> Natural resources Natural environment 	<ul style="list-style-type: none"> Capital / assets Economic performance 	<ul style="list-style-type: none"> Human health Social and cultural values
	Sustainable building	<ul style="list-style-type: none"> Natural resources Global and local environment 	<ul style="list-style-type: none"> Capital / assets 	<ul style="list-style-type: none"> Health User satisfaction Functionality Cultural value
Protective targets	Sustainability in general	<ul style="list-style-type: none"> Protection of natural resources/sustainable use and management of natural resources Efficiency improvement Reduction of pollution exposure/ environmental influences Protection of atmosphere, soil, groundwater and waters Promotion of environmentally compatible production 	<ul style="list-style-type: none"> Reduction of life cycle costs Reduction of subsidy volume Reduction of debt Promotion of responsible entrepreneurship Creation of sustainable consumption patterns Creation of dynamic and co-operative international economic conditions 	<ul style="list-style-type: none"> Protection & promotion of human health Reinforcing inclusion and solidarity Protection of cultural assets and values Equal opportunities Protection of capacity to work and jobs Fight against poverty Education/training Equal rights Integration Safety/livable environment
	Sustainable building	<ul style="list-style-type: none"> Protection of natural resources Protection of the ecosystem 	<ul style="list-style-type: none"> Minimizing life cycle costs Improvement of economic efficiency Protection of capital/ assets 	<ul style="list-style-type: none"> Protection of health, safety and comfort Maintenance of functionality Protection of aesthetic and urban development quality

The table above contains goals that are valid for all industrial sectors but also sets sector specific targets. It was developed by the German *Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety* as a part of the *Guideline for Sustainable Buildings*. It includes not only the most common goals that are connected to sustainability and its three dimensions, but also categorizes them into protective goods (upper third) and protective targets. The aforementioned targets will now be illustrated by possible realizations on the German Real Estate market.

In a 2011 study by *Roland Berger* consultants (*Study of Energy and Resource Efficiency in the Real Estate Management* [80]), the following key aspects have been identified as measures to improve the sustainable performance of buildings on the German market:

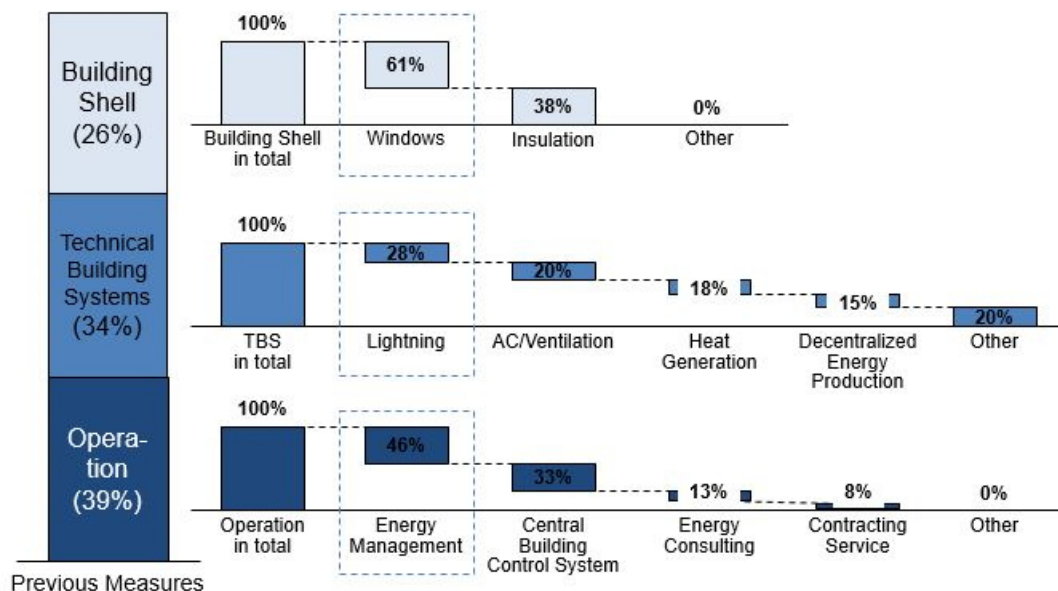


Figure 12 - Measures to more sustainability in the Real Estate sector

The illustration shows the most important measures among the participants of the study. Regarding the building shell, the installation of heat insulating windows is the most common measure to improve the energy performance of Real Estate assets. This is followed by operational measures that enhance the management of energy in buildings. Hence, the retrofitting of technical facilities, especially lightning, stands in close connection. For 2020, a projection by Roland Berger expects a growth of sustainable measures between six to nine percent in the aforementioned categories. Thereby, the cumulated heat requirement of estates will be reduced by 19% from 2010 to the 2020 projection (from 951 TWh to 767 TWh per annum in Germany), resulting in an approximated cost reduction of €17 billion.

The study also points out the problem that the measures for sustainable buildings are non-integrated solutions that do not follow a holistic approach. Due to this fact, there are efficiency potentials that remain untouched and thus, sustainable targets are reached insufficiently.

Within the economic dimension, it is important to add measures for sustainable investing in the Real Estate sector to ensure the given sustainable targets will be reached. Core principles have to be transparency (see next paragraph for the disclosure by sustainability reports), the inclusion of sustainable aspects within the calculation of profit and risk, the avoidance of investments in non-sustainable assets and the provision of an attendance to key performance indicators, showing market development.

The next paragraph will highlight a common method enabling more transparency:

Sustainability Reporting within the Real Estate Business

In regard to Real Estate companies, there are specific areas that are typically covered by sustainability reports within this sector. As an example, the *G4 sector disclosures for the Construction and Real Estate Sector* [81] by the Global Reporting Initiative lists the following contents that should be part of a corporate report, in addition to the points mentioned in chapter 2 (see the Appendix for a detailed listing):

1. **General Standard Disclosures** (contains inter alia the following points)
 - a. Strategy Analysis
 - b. Organizational Profile
 - c. Stakeholder Engagement
 - d. Governance, Ethics and Integrity...

2. **Specific Standard Disclosures** (i.a.)
 - a. Economic (Performance, Market Presence, Indirect Impacts...)
 - b. Environmental (Materials, Energy, Water, Biodiversity, *Land Degradation, Contamination, Remediation*)

3. **Social** (i.a.)
 - a. Labor Practices and Decent Work (Employment, Equal Remuneration for Women and Men, Diversity...)
 - b. Human Rights (Non Discrimination, Forced or Compulsory Labor, Security Practices...)
 - c. Society (Anti-Corruption, Local Communities, Public Policies, Anti-Competitive Behavior...)
 - d. Product Responsibility (Customer Health and Safety, Product Service and Labelling, Compliance, Customer Privacy...)

**Sector specific aspects*

The disclosures for the Real Estate Sector are based on the *G4 Sustainability Reporting Guidelines, Reporting Principles and Standard Disclosures* (2013) [82] by the *Global Reporting Initiative*. The guideline is divided into two parts: the reporting principles and an *Implementation Manual* [83] that provides additional information how to apply the principles for a company. The G4 guidelines themselves contain elements from the *Organization of Economic Cooperation and Development's* (OECD) *OECD Guidelines for Multinational Enterprises* (2011) and the UN Global Compact's *Ten Principles* (2000) (see chapter 4.1.2) [83]. The referring standard sections and aspects are listed in the appendix of this thesis.

Besides the *Global Reporting Initiative* framework, there are also other initiatives and therefore other concepts of sustainability reports available (see chapter 5.3.2). So, the comparability of sustainability reports is to be questioned. Companies are obligated or at least strongly instructed by governments around the world to publish sustainability reports (see chapter 2.2.2). Which structure or framework companies should use, is mostly not particularly determined. But, as already mentioned in chapter 2, there are intentions (e.g. in the European Union) to (only) regulate the *publishing* of sustainability reports. Hence, corporate sustainability and reporting initiatives currently play (and will play in the future) a big role in consulting and guiding companies through the preparation process of sustainability reporting and the thereby involved structural, organizational and management-related changes.

The next chapter takes a closer look on recent developments and reveals how the stated measures to achieve and improve sustainability, compliance and governance are accepted and implemented by the Real Estate sector.

3.2.2. Recent developments to Corporate Sustainability in the Real Estate and Construction Sector

The high significance of sustainable topics is underlined by interviews, investigations and surveys by Real Estate consulting companies among participants of the Real Estate business. The focus of the development overview will be on Europe, the USA and Asia Pacific.

In their latest issue of *Emerging Trends in Europe 2014*, the authors from *PriceWaterhouseCoopers* and the *Urban Land Institute (Europe)* interviewed members of banks, Real Estate Investment companies and insurance companies all across Europe [69]. A great majority, about 77% of all respondents, has implemented sustainable business strategies. Also, only a minority of 12% of the interviewed participants said, sustainability will not play a bigger role in their business actions in 2014. The interesting fact behind this number is, according to the report, mainly respondents form Germany, Switzerland, the Netherlands and the United King-

dom have not ascribed a high effect of sustainability issues. However, a trend to more sustainability has been measured since many years on these markets. The financial aspect of sustainability and the thereby possible profit increase is also being mentioned in the report: 50% of all participating companies say, they would receive higher rents with green buildings [69]. These statements are supported by the findings of *Cajias M., Piazzolo D., (2013)*. In their paper, published in the *Journal of Corporate Real Estate* [84], the authors investigated how sustainable buildings affect the financial performance of large panel frameworks. The findings were based on data from the German *Federal Statistical Office* and the database of the *IPD Investment Property Databank GmbH*. The authors created portfolios, containing buildings of all energy consumption levels, to “describe the energy pricing mechanisms in the context of total return and rent price” over a longer period of time. Their investigations showed a 3.15% higher return and a 0.76€/m² higher rent of sustainable buildings within the created portfolios. This outcome shows the renting possibilities of energy efficient buildings especially for the German market with a low home ownership level and thus many potential renters (or any other market with the same conditions) [85].

Corporate occupiers will still be cost conscious in 2014, but they are willing to invest in modern, energy efficient buildings with higher guaranteed productivity and return on investments [68]. This marks a new trend, as *Jones Lang Lasalle IP INC.* show in their report: an increase in workplace investment. To attract new employees, it is nowadays very important for companies to improve the working conditions. Especially in the western world, with lower birth rates and though a smaller pool of potential employees, companies are aware of this topic. A combination of a sustainable workplace (e.g. by the use of a sustainable office building or the reduction of emissions and energy use) and implemented corporate compliance policies could make the difference in companies future reputations. To underline the growing importance of sustainable matters, Figure 13 shows results from the *Emerging Trends in Real Estate in Europe 2013 survey* by *PriceWaterhouseCoopers (PWC)*, regarding the impact of sustainability on the Real Estate Business [86].

According to the 2013 survey, “environmental concerns are now intrinsic to their due diligence” among participants of the Real Estate market like REITs, residential developers, banks or investors. Investors (including institutional investors) and landlords expect higher rents and reduce of risk from sustainable properties. Governmental reforms and regulations force suppliers to “go green”, otherwise higher taxes will shorten the profits. In addition, green buildings would “mitigate obsolescence and underpin the security of income”. So, environmental issues are on the agenda, the 2013 report says [86].



Figure 13 - Impact of Sustainability on Real Estate Business (survey from 2013)

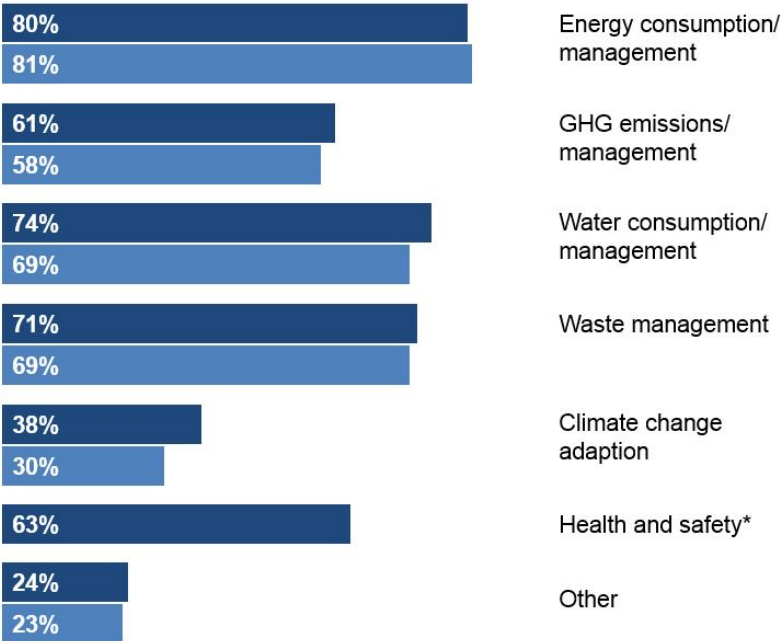
The 2014 report from PWC goes even further: interviewees say, a “modern property brand” has to have a green building strategies and employees that are engaged into the green goals a property company wants to reach. Sustainable buildings are seen as “quality buildings, lowering risks and void periods”. Also, the importance of green certificates as a confirmation for sustainable buildings is still given, but it is not as high as it has been, the report states. Operational ratings of whole companies would be the appropriate measurement tool of sustainable performance in the future. According to PWC, the *Global Real Estate Sustainability Benchmark*^{xxii} (GRESB) initiative is gaining influence, also because of institutional investors as the “driving force”.

Moreover, the *social return on investment*, the positive impact of buildings on their adjacent environment and surrounding community, has become a big issue [69]. Asset managers will have to create clear strategies how to improve the sustainable performance of their properties, making a change in management methods necessary. It is also important to mention that companies and policy makers start to realize that working together on an urban level is the best way to reach targets regarding energy use efficiency or *social sustainability*. One result is the

^{xxii} This worldwide initiative rates the sustainable performance of real estate portfolios with the help of surveys and combines all results in an overall benchmark [87].

development of *smart-city* strategies, covering not only sustainable buildings, but also the planning process and the surrounding infrastructure for resident’s mobility, shopping opportunities and available education facilities. The main goal is to improve quality of life for everybody within the community. Therefore, initiatives between the public and the private sector are being established to coordinate, link, support and push developments in these areas (see chapter 5).

In addition, the trend to sustainability reporting has also arrived at the Real Estate Sector. A 2013 global GRESB Survey^{xxiii} [88] shows that 88% of all participants are having an active disclosure policies. 59% are having a dedicated section on their websites. Companies include sustainability information inter alia inside their annual reports, by separate CSR reports or by integrated reports. 34% are using the GRI reporting framework to communicate their progresses. The following figure shows active sustainability policies per category:



Health and safety included in 'Other' in 2012

Figure 14 - Sustainable policies within the Real Estate Sector [88]

Environmental aspects are represented in the majority of the policies in the figure stated above, but there is a strong growth from 2012 to 2013 regarding health and safety policies. The GRESB report also mentions the substantial variation of policies within the sector (*“from property companies to fund managers”*) and due to regional differences.

In addition to the aforementioned trends (which also apply on a global level) PWC give more details on *green thinking* in Pacific Asia. The advantages of investing in sustainable buildings have also arrived at investors in China and Japan. During the last years, sustainable Real Estates have been on the agenda, but investors feared higher costs. But today, prices for “*Green Star*” or “*Green Mark*” buildings (Chinese Rating System) are on an acceptable level with *premiums* (higher costs) of 2 - 5%. A problem remains that many old buildings are of poor quality and it would be cheaper to tear them down instead of *retrofitting* them. In regard of market transparency, there is still need for improvements, mainly on the Chinese market. Given the answers of a survey for the Asia Pacific region by PWC in 2014, financial and economic issues like interest rates, global economic growth and tax policies are very important to members of the Real Estate sector. Climate change, green buildings or *workforce housing* and other social and environmental issues receive only moderate importance [89].

In the US, Real Estate funds are more and more advised to reveal the ESG performance of their funds. So, the *FTSE Group*, the *National Association of Real Estate Investment Trusts* (NAREIT) and the *US Green Building Council* (USGBC) are working together in developing a green property index for funds on basis of the “*proportional value of their holdings that have achieved USGBC’s Leadership in Energy and Environmental Design (LEED) certification or Energy Star^{xxiv} labelling*”. In addition, the disclosure of estates’ energy performances and therefore the supply of energy efficient buildings is especially demanded by commercial and governmental tenants, because they have to fulfill minimum green building standards, required by regulations [90]. In addition to the findings above, *Eichholtz, et. al.* (2013) also proofed the higher value of energy efficient and sustainable buildings: their analysis showed an average of a 3% higher rental premium on the US market [91]. Participants of the Real Estate sector in the US rate economic and financial issues like job growth and interest rates as most important – similar to the situation in Asia Pacific.[92].

In contrast to the positive signs in terms of a more sustainable business behavior of the already mentioned participants of the Real Estate market, the majority of lenders in Europe are not taking sustainable aspects into account. But positive examples exist: the German *KfW*, a government-owned bank for development, mainly supports projects for sustainable housing and environmental protection [93]. So, some investors seek to improve their portfolios by setting standards for buildings they want to acquire, either they have to fulfill institutional requirements, or want to meet self-set ESG standards. Regarding the construction industry, sustainability

^{xxiv} International standard for energy efficiency, created by the US Department of Energy in 1992

and green initiatives are only seen as a main market driver by 11% of all participants, according to the 2013 *Global construction survey* by KPMG. The African continent will be the target market of the majority of all companies in global comparison, thus also enabling the potential to sustainable structures *from scratch* in developing countries [94].

The next paragraph gives an overview about current regulations that apply to the Real Estate Sector in the context of sustainability.

3.2.3. Sector specific Regulations and Certifications regarding Sustainability

There are a lot of differences how nations tend to regulate the Real Estate market by taxes and other dues or charges. In general, taxes could be imposed for ownership (direct or indirect), for the transfer of Real Estates (VAT^{xxv} or other specific taxes), corporate income and trade tax. Hence, the Real Estate market is an example for high transaction costs, also due to costs to Real Estate agents and other parties [95].

REIT are under different taxation regimes in Europe, Pacific Asia and the Americas. Overall, the level of restrictions on shareholding, number of investors, activities and investments, supervision, registration rules and taxation methods differ. For example, Germany released a specified act, the *Real Estate Investment Trust Act*, to excise investments or dividends of REITs, but other countries (like the United Kingdom or Spain) just use standard tax laws. In the US, the *Internal Revenue Code* and *Treasury regulations* are used. Overall, REITs are not subject to common law in international comparison. [96]

Also the market itself and its price finding mechanisms can be regulated: So, as an example, the US housing market and its pricing measures are stimulated by the Home Affordable Refinance Plan (HARP), which was reformed in October 2011, regulating the US mortgage market [70]. Regulation trends are also to be found in Europe: The federal government of Germany, in times of stable rent growth, wants to regulate rental fees to protect the lessees from (too) high rent increases and also reduce the surplus on demand. Critics say, this would just consolidate the surplus and favor an increase in supply elasticity [97].

A key role in achieving sustainable goals is the availability of information through more transparency, especially for the Real Estate Sector with big investment and construction companies.

^{xxv} Value added tax

The trend to more regulation in regard to sustainability reporting was already mentioned in chapter 2 and 3.2.1. This trend led to the development of several sustainability rating initiatives around the world. Important initiatives will be presented in chapter 5.

Many governments around the globe have issued laws and regulations regarding energy efficiency and energy consumption of residential and commercial buildings. In the following, the author will highlight the developments in Europe, the US and China.

The European Union established the *Energy Roadmap 2050*, to reduce greenhouse gas emissions and improve energy efficiency all over Europe. The *2020 climate and energy package* shall additionally enable reductions according to the 20/20/20 rule [98]:

- “20% reduction in EU greenhouse gas emissions from 1990 levels;
- 20% share of EU energy consumption produced from renewable resources
- 20% improvement in the EU's energy efficiency”

Since Real Estates have a share of 40% of the European Union's energy consumption per year, they have a great influence on achieving energy efficiency targets and have to be surely considered. New residential buildings are strongly regulated by the EU regarding energy efficiency. There are measures targeting new residential buildings in regard of energy efficiency, norms (including minimum energy efficiency standards) and mandatory information requirements in Europe [99]. The retrofitting of buildings also plays a big role in decreasing environmental influences of the Real Estate sector. In the EU, 70% of the existing dwellings have been built before 1980. Regulations do also have a big influence on measures targeting retrofitting: 54% of all measures are referable to regulations, information policies and mandatory inspections, enforced by the *Energy Performance Building Directive* [99].

Similar situations are to be found in the USA: buildings consume around 65% of the US power supply and are responsible for 40% of all carbon emissions [100]. The stock of commercial buildings is in average 42 years old and 80% of all residential homes have been built before 1998 [101]. The renovation or expansion of existing buildings (commercial and residential) and the construction of new estates is regulated by *2012 International Energy Conservation Code* and specified state laws [102]. Homeowners and commercial investors are offered to check which regulation and requirements their buildings have to meet^{xxvi}.

^{xxvi} <http://www.energycodes.gov/>

The Chinese government put energy efficiency of buildings on the agenda since the 1980s, when the *Minimum Energy Performance Standards* (MEPS) were introduced. The energy consumption of Real Estates in China aggregates to 30% of the total energy consumption. Currently, the Chinese government's *five year plan* is active with great energy consumption reductions by various measures: e.g. *Green Buildings* are promoted and rewards are given to energy efficient Real Estates. Also, the introduction of heat metering and retrofitting of existing buildings is enforced by governmental policies [103].

The following table gives an overview of selected governmental energy initiatives around the world:

Table 8 - Selected Governmental Initiatives for Sustainable Buildings [69]

Country/Institution	Law
Germany	Act of Energy Saving (EnEG)
	Energy Saving Ordinance (EnEV)
	Renewable Energy Sources (In the Heat Sector) Act (EEG/EEWärmeG)
France	Grenelle 1/2: Until 2020: <i>"Buildings have to produce more energy than they consume"</i>
European Union [104]	Energy Performance of Buildings (EPBD)
	Until 2020: <i>"Nearly zero energy buildings"</i>
	Renewable Energy Sources Directive (RES)
	Energy Efficiency Directive (EED)
United Kingdom [105]	Building Research Establishment Environmental Assessment Method (BREEAM)
	Building Regulations (England and Wales)
	Technical Handbook (Scotland)
USA [106]	2012 International Energy Conservation Code
	Energy Independence and Security Act of 2007 (EISA)
	Net-Zero Energy Commercial Building Initiative
China	Minimum Energy Performance Standards" (MEPS)

On the construction level exist also a lot of labelling and certification systems for energy efficient and sustainable buildings. Their usage depend on regional factors, but also which criteria are measured by the system: energetic quality, environmental or health-related compatibility or sustainability. Chapter 5 states the most important certification systems. The broad variety

creates difficulties for companies, which system they should choose. Also, there is no trend to consolidation [107].

Based on the presented models, trends and regulations, the following chapter shows that there is a need of private sector initiatives for companies that want to improve their sustainable performance.

3.3. The Need for Initiatives within the Real Estate Sector

There are a lot of conventions, declarations and actions plans regarding human rights, labour rights, environmental and sustainable issues on a global, regional and national level (as stated in chapter 2.1). These rules apply for states and companies. In addition, regulations and sustainability targets are set for the Real Estate Sector, especially regarding energy efficiency and sustainable construction. The sector tends to be covered by many regulations and laws. But, taking the findings of chapter 3.1.3 and 3.2 into account, it is also important to mention that *energy efficiency only regulations* do not create a sustainable Real Estate Sector. Corporate Sustainability has to cover all areas and aspects within the life-cycle of an estate and not only energy efficient *products*. This underlines the need for *private law* initiatives like the Global Compact, which fill in the gaps left by governmental regulations, because Corporate Sustainability also involves that a Real Estate company has to reconsider its strategy and thereby its influences on the environment, the society and its stakeholders. The next step has to be the adaption of a company's governance rules and the creation of corporate sustainability policies. This also implies changes for the offered products. For instance, Real Estate investment companies would have to switch to financial products in regard of ESG or other sustainable issues. The good worldwide economic outlook for the Real Estate and Construction Sector, as stated in chapter 3.1.3, offers a great possibility on the way to more sustainability around the world, if companies agree in satisfying the demand with sustainable properties and investment offers.

As a 2013 survey by the *UN Global Compact* and *Accenture* approves^{xxvii}, the companies are aware of the importance of sustainability: 93% of all Chief Executive Officers (CEOs) report a great influence on their company's success. But, only 32% of all respondents believe their company is doing enough. So, the big challenge remains how to implement sustainable measures into a company or how to improve their so far sustainable performance. There is also a trend for more transparency, realized by (possibly soon mandatory) sustainability re-

^{xxvii} UN Global Compact-Accenture CEO Study on Sustainability 2013 [108]

ports. But many companies do not have the appropriate tools to gather and compile the relevant data (as mentioned in chapter 2.2.2). So, there is still a lack of participation among companies around the world. Therefore, the author sees the following possible reasons:

- Less knowledge about the advantages of a sustainable company strategy;
- The lack of regulation by governments;
- Exceptions to publish information about CSR and possible image/legal issues;
- Strong lobbying from economic groups;
- The deficiency of appropriate toolkits, platforms for knowledge transfer or missing best practices;
- Missing experience how to gather, process and analyze sustainability data;
- Missing financial capacities (need for economic development schemes);
- Missing data about corporate sustainability from suppliers along the supply chain (preventing the creation of sustainable products with materials with proofs of origin);
- Expectation of possibly lower demand due to higher prices for sustainable products (less revenues for companies);
- Confused positioning of governments: Voluntarism vs. Regulation

Corporate Sustainability initiatives around the world play a big role in confuting or offering solutions to the statements above: Companies need to be encouraged in their efforts to more sustainability, either by mandatory regulations or better, by joining a voluntary private sector initiative like the *UN Global Compact*. A membership offers companies a lot of advantages. To give an example, the *UN Global Compact* states the following advantages and benefits for its signees of the *Ten Principles* [1]:

- Simplified implementation of environmental, social and governance policies with help of a worldwide acknowledged policy framework
- Knowledge platform to get and share Best Practices, practical solutions and strategies to achieve sustainability with stakeholders like UN agencies, governmental organizations and institutions, the civil society and other non-business shareholders
- Connection to other business or affiliates via local Global Compact Networks, including developing and emerging markets
- Access to UN Global Compact resources: management tools, integrity measures like the Communication in Progress (COP), guidelines and other guidance materials

Furthermore, companies who join a private sector initiative for sustainable development also apply to the *community pressure* to act responsibly. Customers are reacting more sensitive on policy issues and green thinking has also arrived on the demand side [109].

The advantages for companies stated above are also a challenge for the initiative itself. Especially for the Real Estate sector, with its great worldwide influence on global wealth, society and the global environment, there has to be a sectorial approach by private sector initiatives to cover all relevant areas on the way to sustainability. This illustrates the need for appropriate guidance materials, knowledge transfer, best practices and tool kits that have to be supplied by the private sector initiatives.

The next chapter will present the *UN Global Compact* initiative in detail and will also show, why the world's largest voluntary initiative has to adapt and enumerate its principles for the Real Estate sector.

4. The United Nations Global Compact Initiative

In this chapter the author describes the UN GC initiative, the *Ten Principles*, its history and determines related and cooperating initiatives. In addition, the representation of the Real Estate Sector within the *Global Compact* will be investigated, deriving the need for a specialized approach for this business sector.

This creates the basis for the further worldwide investigation of initiatives that will be compared to the Global Compact (chapter 5). The successfulness in achieving Corporate Sustainability targets within the Real Estate Sector with the help of initiatives will be investigated in chapter 6. As a result, the comparison shall lead to recommendations, how the *Ten Principles* of the *Global Compact* could be adopted to the Real Estate Sector.

4.1. The Initiative

4.1.1. Description

The United Nations Global Compact is an international sustainability initiative for the private sector and is based on the *principle of voluntarism*. It was founded in 2000 on July, 26th in New York with 40 participating businesses.



United Nations Global Compact

Figure 15 - The Global Compact Logo [110]

The core of the initiative are the so called Ten Principles. They cover four important areas: human rights, labour, environment and anti-corruption. The Approach of UN Global Compact is different to other initiatives: Instead of direct help or subsidies, businesses commit to achieve strategic environmental, social and corporate governance targets and improvements on their own by accepting and signing the ten universally principles. Companies are invited to sign these strategic policies on a voluntary basis. During times of growing globalization, businesses and their stakeholders play a big role regarding social, political and economic challenges. Companies are able to present ways how the economy and the society benefits from their actions and reactions. UN GC wants to unveil and promote this potential. Since its launch until today, the initiative has brought together over 12,000 companies and other stakeholders participate around the world, making UN GC the largest voluntary corporate sustainability initiative [1] & [111].

4.1.2. The Ten Principles

The following table shows the *Ten Principles*, divided into four main areas:

Table 9 - The Ten Principles of UN Global Compact [111]

HUMAN RIGHTS	
<i>Principle 1</i>	Businesses should support and respect the protection of internationally proclaimed human rights; and
<i>Principle 2</i>	Make sure that they are not complicit in human rights abuses.
LABOUR	
<i>Principle 3</i>	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
<i>Principle 4</i>	The elimination of all forms of forced and compulsory labour;
<i>Principle 5</i>	The effective abolition of child labour; and
<i>Principle 6</i>	The elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	
<i>Principle 7</i>	Businesses should support a precautionary approach to environmental challenges;
<i>Principle 8</i>	Undertake initiatives to promote greater environmental responsibility; and
<i>Principle 9</i>	Encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRUPTION	
<i>Principle 10</i>	Businesses should work against corruption in all its forms, including extortion and bribery.

These Ten Principles built the core of the Global Compact initiative. The four main areas of work are Human Rights, Labour, Environment and Anti-Corruption and thus reflect important fields of sustainability. The four areas are based on and derived from the following important Declarations by the UN General Assembly and the *ILO* [112] (see also chapter 2.1):

- The Universal Declaration of Human Rights
- The *International Labour Organization's* Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

4.1.3. Vision and mission

The vision of the Global Compact is summarized in the following statement [1]:

“A sustainable and inclusive global economy which delivers lasting benefits to people, communities, and markets.”

To realize this vision, the initiative follows two corresponding objectives:

- Mainstream of the UN GC concept in business activities around the world;
- Catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs)^{xxviii}

In 2005, after the strategic review of the initiative, the following mission is still in use (since the beginning of the initiative in 2000 [113]):

“The Global Compact strives to be the world’s most inclusive voluntary initiative to promote responsible corporate citizenship, ensuring that business, in partnership with other societal actors, plays its essential part in achieving the United Nations’ vision of a more sustainable and equitable global economy.”

The key thought behind UN GC is voluntarism – not a regulatory system should lead business to a more sustainable behavior, but challenging ESG targets set by themselves, framed by the ten universal principles.

4.1.4. Organizational Structure

To organize the provided wide spectrum of specialized work streams, management tools, guidance resources, local networks and other elements provided, the project leaders have designed several organizational bodies, which were revised in 2005 to form the new *Global Compact Governance Framework*. The new framework reflects the voluntary concept and the network character of the initiative. It enables a “*light, non-bureaucratic and involving*” administration structure [114]. Participants and Stakeholders of the initiative should feel invited to initiate new projects, gain quality improvements within their daily regular business, establish ongoing

^{xxviii} The UN Millennium Goals are eight specific targets regarding e.g. hunger, poverty, HIV and sustainability all UN member states committed to achieve until 2015 [34].

knowledge transfer, help other members to achieve their goals and work on a continuous improvement of the whole initiative. Therefore, the structure is clearly network-based with non-hierarchical and non-centralized arrangements [115].

The governance functions are fulfilled by seven organizational units, which undertake different tasks and duties and are connected via a multi-centric framework [116]:

Global Compact Leaders Summit

This summit meets every three years and brings together the “*top executives*” of participating companies and other stakeholders. The leaders shall give commitments to their actions and be motivated to more engagement for the initiative. As well, participants are given an opportunity to discuss issues regarding the Global Compact and corporate citizenship at a high level. The summit members also present strategic suggestions for the initiative’s future development.

Local Networks

To ensure the development of the Global Compact on a local level, regional groups and networks connect local participants together. These groups put the principles in a regional context, regarding different national, cultural and linguistic circumstances. In addition, they are a platform for local companies and subsidiaries of foreign enterprises to gather help and information and give recommendations how to implement the ten principles. Participants have the opportunity to create and launch multi stakeholder initiatives.

Local Networks help to manage the fast growth of the whole initiative with low manpower requirements for other bodies of UN GC: they act according to the Ten Principles on a self-governing approach. Currently, over 100 Local Networks exist worldwide. The networks are eligible to appoint candidates for the election to the members of the Global Compact Board and to give input to current *major activities* the Global Compact Office is about to assemble at the *Annual Local Networks Forum*. There, Local Networks around the world have for instance the opportunity to transfer their knowledge, compare and comment on the progresses of their members and inform about new developed best practices. Also, the Local Networks’ input is part of the agenda of the Global Compact Leaders Summit. Another important area of work is the support of the integrity guideline *Communications in Progress* (for further details, see chapter 4.1.6). Currently, there are around 90 Global Compact Local Networks in action.

Global Compact Board

This advisory board consists of stakeholders from four different working groups: the United Nations, businesses, civil society and labour representatives. Every constituency group gives advices in its specific area to the *Global Compact Office* (GCO) and other recipients of the initiative who need assistance. The board meets as a whole once a year. The four working groups are interacting with the GCO on a regular basis. The board has 31 seats in total. Four seats are “ex-officio” seats given to the *Secretary-General of the UN*, to the *Chair of the Foundation for the Global Compact*, to the *Chair of the Principles for Responsible Investment* and to the *Executive Director of the Global Compact*. The primary goal of the board members is to advance the mission of the initiative. Their lobbying work is voluntary and unpaid.

Like the Local Networks, the Global Compact Board plays a big role regarding the implementation of the integrity measures of the initiative. The civil society and labour group monitor current developments and trends in the field of corporate citizenship and share this knowledge with the board and the Global Compact Office.

The Global Compact Office

This office has received “*the endorsement of the UN General Assembly^{XXIX}*” and is set entrusted to manage and promote the whole initiative, is responsible for the function of the communication infrastructure of the Global Compact and has to supervise the complaint and abuse process. It also has the responsibility to ensure an ongoing UN system-wide sharing of best practices and to establish partnerships all across the UN. In addition, *brand management* (the use of the UN Global Compact logo etc.) and the implementation and monitoring of the given integrity measures are assigned tasks. The Global Compact Office also oversees the Leaders Summit, the Global Compact Board and the Annual Local Networks Forum.

Global Compact Government Group

The Global Compact Office works on the financial foundation of *voluntary contributions* of Governments. Currently, the following states contribute to the Global Compact: China, Colombia, Denmark, Finland, France, Germany, Italy, Norway, Spain, Sweden, Switzerland, the Netherlands and the United Kingdom. These governments either donate to the UN Trust Fund, directly support a Local Network or any other Global Compact Initiative (in harmonization with the Global Compact Strategy). Twice a year, these contributors meet at a capital level to make

^{XXIX} For further information, see Resolution A/RES/60/215 of the General Assembly

sure their contributions are used as efficiently as possible. The communication between the Global Compact Office and the governments about achieved progresses and targets is realized via a standardized process.

In addition, *global working groups*, established by the Global Compact Board, monitor current developments, coordinate and develop action plans, design guidance materials or determine case studies on specific issues. Currently, there are the following working groups with their particular responsibilities [117]:

Human Rights and Labour Working Group

This group was newly arranged in 2013 (the two groups had been separated before), because Labour Rights were recognized as Human Rights. The group's main goals are identifying and promoting *good business practices* for the implementation of Human Rights, the development of tools and guidance materials, the support of local networks and specialized help in dedicated initiative. The working group stands in close connection and knowledge exchange with the *International Labour Organization (ILO)*^{xxx}. Currently, the group works on the following main workstreams with their specific topics:

- *Tools and Resources:*
 - i.a. Human Rights Reporting
- *Good Practices*
 - i.a. Good Practice Forum, Human Rights and Business Case Studies Series
- *Special Initiatives*
 - the Global Business Initiative on Human Rights, Children's Rights and Business Principles, Human Rights in Management Education
- *Global Framework Agreement*
 - Agreement between companies and the Global Compact to promote and ensure the implementation of Labour Rights

Environmental Working Group

Referring to the Global Compacts Principles 7-9, this working group promotes actions regarding the environment and Corporate Environmental Responsibility. The principles themselves

^{xxx} As mentioned before, the labour-specific Principles of the Global Compact are adapted from the ILO Declaration on Fundamental Principles and Rights at Work [118].

are based on the *Rio Declaration on Environment and Development*^{xxxI}. The environmental goals are realized via the cooperation with initiatives like (see also chapter 4.1.7 and 4.3 for details on cooperations):

- *Sustainable Energy for All*
This framework for *business action* has been established in 2011 and facilitates the *universal access* to modern energy services, the improvement of energy efficiency and the amplification of the share of renewable energies [120].
- *Caring for Climate: The Global Business Leadership Platform*
This platform shall motivate business leaders to assume responsibility on climate change on a voluntary basis. With their help, public opinions and governmental attitudes shall be changed to a more environmental-sensitive, sustainable point of view
- *The CEO Water Mandate*
The availability and the pollution of water is crucial in every area of the world. Therefore, this framework assists companies with the establishment of water policies and practices.
- *Environmental Stewardship Strategy*
This strategic plan has been created to assist companies with the development a holistic and comprehensive environmental strategy^{xxxII}.
- *The United Nations Environment Program (UNEP)*
Provides a wide variety of training materials and guidance for decision makers in all business related areas

Working Group on the 10th Principle against Anti-Corruption

This group ensures structured workstreams and a strategic approach on the Global Compact's work on Anti-Corruption. Besides the input for a long-term development agenda^{xxxIII}, gathered on a *Call-to-Action Meeting* in 2012, the group hosts the *International Anti-Corruption Day* and

^{xxxI} Recap: The *Rio Declaration on Environment and Development* consists of 27 principles for sustainable development (chapter 2.1.3) [119]

^{xxxII} This strategy is based on the *UN Global Compact Management Model* [121], a framework how to implement the principles in businesses.

^{xxxIII} The Post-2015 Development Agenda: The time after the deadline for the completion of the MDG is reached in 2015. At the moment (in 2013), an international "High-Level Panel of Eminent Persons" discusses whether the MDGs should be changed in detail or whether the agenda should be formulated all-new [122].

develops guidance documents on Anti-Corruption Reporting. The *Anti-Corruption Tools Inventory* gives companies the opportunity to get “easy accessible” assistance on their way to fulfill the goals of the tenth principle [123]:

1. “Internal implementation of anti-corruption policies and programs within the organization
2. External reporting of policies, shared experiences and best practices; and
3. Collective action between and among Global Compact participants, industry peers and other stakeholders to ensure no company receives an unfair business advantage”

The Group is divided into four sub-working groups: Risk Assessment, Public-Private Collaboration, Sport Sponsoring and Hospitalities and the Oil and Gas Sector group.

Financial Markets

In times of growing interest in ESG-topics, the financial markets have to pay attention to this development as well. After a first initiative by the Global Compact, the *Who Cares Wins* program, which was created in partnership with the *International Finance Corporation*^{xxxiv} (IFC), ESG values have reached the financial markets. In corporation with the *United Nations Environment Program’s* (UNEP) *Financial Initiative* (FI), the *Principles for Responsible Investment* (PRI) have been established. With the help of six principles, both asset owners and managers shall adapt ESG-issues into their decision making processes.

In 2009, the *Sustainable Stock Exchange Initiative* was launched by the Global Compact, the *United Nations Conference on Trade and Development*, the PRI and the UNEP Financial Initiative. This initiative shall bring together investors, regulators and companies to achieve responsible, ethical investments on a long term [124].

In addition, the financial market working group has developed a tool to help companies to determine how their corporate sustainable activities and investments perform regarding the Return on Investment (ROI): the *Value Driver Model*. This tool provides key metrics that illustrate the connections between ESG and the company’s overall performance [125].

^{xxxiv} The IFC is a member of the World Bank Group, an observer of the United Nations Development Group.

The following figure shows the basic structure of the model:



Figure 16 - UN GC Value Driver Model

As described in the figure above, the model is enabling companies to monitor the following indicators:

- *“Revenue growth from sustainability-advantaged products, services and/or strategies (S/G)”*
- *“Total annual cost savings (and cost avoidance) from sustainability-driven productivity initiatives (S/P)”*
- *“Reduced sustainability-related risk exposure that could materially impair a company’s performance (S/R)”*

The participating companies are also invited to host *ESG Investor Briefings* to meet with their investors, utilizing the Value Driver Model for the communication of the achieved results. By strongly embedding the investors in the whole ESG-investment process, a new level of sensitization among all actors of the financial market becomes possible.

Development

This department takes care of all issues about the development context of the Global Compact. The initiative stands in close connection to other main activities within the UN network dealing with sustainability in the private sector. So, the *UN Conference on Sustainable Development - Rio+20* in June 2012 and the included sessions were co-hosted by Global Compact working groups. The conference was a *“launching ground for hundreds of new activities”*.

Together with the *Global Compact LEAD program* (see next chapter for more information), partnerships between the UN and business are facilitated and higher levels of sustainable performance shall become reachable. Subgroups and task forces of the development department cover the following issues:

- Social Enterprise and Impact Investing
- Sustainable Agricultural Business
- Guidance Materials
- Meetings- and Events regarding Development issues

As stated above, the UN Global Compact supports the *UN Post-2015 Agenda* and wants to guarantee that the private sector perspective is included into the agenda. Therefore, an action plan with activities all over the UN Global Compact Network has been launched [126].

Advisory Group on Supply Chain Sustainability

The UN Global Compact supports the implementation of the Ten Principles all along the Supply Chain. Therefore, the company itself and its suppliers have to adapt their business according to the Global Compact. To assist companies with the challenging way to sustainability, the Advisory Group has launched a platform, providing guidance, best practices and other material. Because of the many links to other issues, the Advisory Group works in close coordination with the other working groups. As well, task forces on current topics contribute to the work of the advisory group. So, in February 2013, a task force on traceability was launched. In addition, Global Compact participants are invited to share their experiences [127].

Business for Peace

This platform wants to strengthen the private sectors' support of peace in all business-related occasions: workplace, marketplace and local communities. The main field of action of Business for Peace (B4P) are conflict-affected and high-risk areas. There are five goals that shall be reached and become possible by the participants [128]:

1. *“Better identify and manage business risks and opportunities while reducing operational costs;*
2. *Engage in public-private dialogue to establish local priorities and implement projects;*
3. *Align business strategies and operations with good practice from across the globe;*
4. *Share best and emerging practices and learn from the experiences of peers; and*
5. *Demonstrate leadership and receive recognition for advancing practical solutions.”*

In addition to the working groups stated above, there are expert groups who support on specialized topics: e.g. the Expert Group on Responsible Investment in Conflict-Affected and High-Risk areas.

Foundation of the Global Compact

All participating companies of the Global Compact are asked to contribute to the *Foundation for the Global Compact*. This ensures the financial vitality of the initiative and the providing of resource, guidelines and assistance within the UN Global Compact Network. So, projects are funded by the foundation, which [129]:

1. *Are raising awareness of the UN Global Compact;*
2. *Are deepening the engagement in the initiative by companies and other stakeholders;*
3. *Are assisting participants in implementing the Ten Principles and undertaking partnerships.*

The foundation has been authorized by the Global Compact Office.

4.1.5. Forms of participation

The UN Global Compact primary target group are small to medium-sized businesses, but it is also open to non-business entities, who are motivated to take action in the areas of Human Rights, Labour, Environment and Anti-Corruption [130].

Business

Companies from ten and more *direct employees* are invited to join the Global Compact. With the help and assistance by the tools and resources given, they shall be able to achieve new levels of sustainable performance. Guidelines show, for instance, how to develop a Human Rights policy or how to establish a *Responsible Corporate Engagement in Climate Policy*^{xxxv}. The commitment made by one company also applies to all its subsidiaries. The subsidiaries are also invited to become participants of the Global Compact, even if the parent company is not. In 2011, the *LEAD platform* has been established for companies, who have showed great local and/or global engagement with the Global Compact.

^{xxxv} Sector-unspecific guides and instructions are available for all relevant fields of the Global Compact, for a full list, see: http://www.unglobalcompact.org/AboutTheGC/tools_resources/index.html

As a part of the LEAD program, special blueprints were created [131]. These *Blueprints for Corporate Sustainability Leadership* show ways, how the Ten Principles should be implemented into *strategies and operations* of the participating companies. The importance is hereby that the companies' engagement should not stop at the implementation of the Ten Principles, but they shall take action in the “*support of broader UN Goals and Issues* and show *more engagement with the Global Compact*” [132]. Currently, about 50 companies are part of the platform. The platform is not a “*seal of approval*” for companies about their status of implementation and contribution, but a platform to “*challenge highly engaged companies*” to compare themselves to others and “*reach further*” [132].

Non-business:

To ensure wide-ranging perspectives and input from various sources, non-business participants are essential for the Global Compact. They are important sources of knowledge and research, are major partners in special initiatives and workstreams and connect the initiative to the latest developments regarding labour standards and other ethical standards. By the creation of special tools and other resources, non-business partners enrich and help to enlarge the existing tool set. In addition, they help to let business participants stick to their commitments concerning the Ten Principles.

To standardize the communication between non-business partners, the Global Compact introduced the *Communication on Engagement* (COE) tool in October 2013. Via this tool, participants are able to show in which ways they have supported and contributed to the initiative. The following types of non-business participants is currently supporting the Global Compact [133]:

- Academic Institutions^{xxxvi}
- Business Associations
- Cities
- Civil Society organizations
- International and national labour organizations
- Public sector organizations

^{xxxvi} For this group exist special principles: “The Principles for Responsible Management Education” (PRME), uniting research and curricula with the values of the Global Compact

The key approach to every form of participation with the Global Compact is voluntarism. This approach has been investigated in 2009 by the law firm *Latham & Watkins LLP* to get an idea how voluntary initiatives are able to gather benefits on both sides (business and society) by reaching corporate sustainability targets. The law firm formulated its theories into concrete terms (*Latham & Watkins LLP (2009) The importance of voluntarism [134]*):

1. *“Voluntary initiatives instill a culture of corporate leadership and innovation in pursuit of responsible behavior - for example, by embedding related issues into decision-making and operations;”*
2. *“Voluntary initiatives can move corporate responsibility from concept to fact - for example, by facilitating the emergence of stakeholder consensus or by helping identify material risks and opportunities and drive long-term success;”*
3. *“Voluntary initiatives can give voice to the people’s concerns, thus securing a positive place for business in society - for example, by helping companies build trust and confidence in communities and economies.”*

The authors of the investigation also say that voluntary initiatives should never be a *substitution for effective regulation*, but their powerful complement (see also chapter 2.3). The Global Compact hopes that this investigation and its thesis will help participants to see how the Ten Principles and other UN goals (e.g. the Millennium Development Goals) are combined together in the mission and vision of the initiative.

4.1.6. Existing Integrity Measures

To monitor the success and the implementation of the principles, there are several mechanisms to ensure an ongoing communication and reporting of the signees. The UN GC committee has no mandate or the resources to do audits on its own, nor are audits part of the concept [135]. Companies and business have to commit to the following statements and conditions that should be signed by the chief executive officers or business owners (cited from [111]):

1. *“Make the UN Global Compact and its principles an integral part of business strategy, day-to-day operations, and organizational culture”*
2. *“Engage in partnerships to advance broader development objectives”*
3. *“Integrate in the company’s annual report or sustainability report a description how the principles are implemented and support of broader development objectives*
4. *“Advancing the UN Global Compact and the case for responsible business practices through advocacy and outreach to peers, partners, clients, consumers and the public at large”*

The companies' and business' commitments should be, endorsed by *“the highest level governance body”* in its decision making process, if applicable. In addition, the only regulatory element within the UN GC initiative that companies have to fulfill, is the *Communication on Progress (COP)*. It is required for the participants to follow this communication guideline, otherwise it would threaten the initiative's approach of a holistic transparency and aperture process to achieve ESG targets and therefore the whole success of the initiative. The annual COP report has to be uploaded to the UN GC website or to one of a Local Network. If a participating company does not hand in the COP before the deadline, the status *non-communicating* will be displayed on the UN GC website. After one further year without any communication, the company will be expelled. The initiative has the right to publish the names of the expelled companies.

Other measures to assure integrity exist as well: At first, the use of the United Nations name and the association with them is prohibited for commercial use. The usage of the UN emblem and the Global Compact logo needs explicit permission. Member states have to take care of the appropriate use. Companies with *non-communicating* or *expelled* status are no longer allowed to use the UN GC name or logo, even so the permission had been given before.

Because UN GC doesn't want to become a compliance based initiative, the Global Compact Office's goal is not to supervise the participating companies but to show them ways how to improve their own quality of work (citation from [135]):

“The purpose of these (integrity) measures in the first instance always will be to promote continuous quality improvement and assist participants in aligning their actions with the commitments they have undertaken with regard to the Global Compact principles. It should be noted that the Global Compact Office will not involve itself in any way in any claims of a legal nature that a party may have against a participating company or vice versa. [...]”

Only if *“systematic or egregious abuses”* occur and the *“matter is presented in writing”* to the Global Compact Office, the office will be set in charge and plan the next steps. *“Prima facie frivolous”* abuses will be filtered out. If the reported abuses are evaluated as a serious concern, the particular company will be informed. The company has then the obligation/chance to:

- Hand in written comments or statements about the abuse *directly* to the party who handed in the abuse (including a copy for the Global Compact Office)
- Keep the Global Compact Office informed about the provisions and actions taken to resolve the abuse
- Get guidance and assistance from the Global Compact Office hot to *“remedy the situation”*

Besides that, the Global Compact Office itself may perform one or more of the steps below to resolve the issue:

- Find a solution with the help of its own good offices;
- Get assistance from the respective local Global Compact Network;
- Forwarding the issue to connected or related UN entities (who are the *guardians of the Global Compact principles*) for further advice or actions;
- Share of information for all parties involved: e.g.
 - OECD Guidelines for Multinational Enterprises and
 - ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.
- Get further assistance from the Global Compact Board.

If the company concerned does not answer to the requests of the Global Compact Office, it will set on the status *non-communicating*, or if it is considered to affect the reputation and the integrity of the initiative, will be removed from the Global Compact website. If the company takes appropriate actions, it will be set back on the status *active*.

During the whole process, the Global Compact Office ensures a fair treatment of all parties involved. Public statements should only be announced *after* the issue is resolved. The process how to resolve any abuses and the surrounding integrity measures themselves are being reviewed by the Global Compact Board, the Annual Local Networks Forum and the Global Compact Leaders Summit.

4.1.7. Cooperation with other UN agencies

The Global Compact stands, via its network, in regular contact with the following UN agencies, building the *inter-agency team* [136]:

- Office of the High Commissioner for Human Rights (OHCHR)
- International Labour Organization (ILO)
- United Nations Environment Program (UNEP)
- United Nations Office on Drugs and Crime (UNODC)
- United Nations Development Program (UNDP)
- United Nations Industrial Development Organization (UNIDO)
- United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)

4.2. Operating Figures

In this chapter, the author shows current developments and trends within the Global Compact network, which are displayable in currently available numbers. The first sub-chapter highlights the signees and their industrial sectors, the second deals with the results of surveys inside the Global Compact.

4.2.1. Participants

The following data is extracted directly from the UN Global Compact website. It shows Business and non-business participants, and whether they are currently on active-status or non-communicating status^{xxxvii} (listed participants until January 31th, 2014) [137].

Table 10 - Participants of the Global Compact

	Absolute numbers	Share
Overall	12,139	100%
All Companies	7,983	65.76%
Active	5,966	75% of all companies
Non-communicating	2,017	25% of all companies
Non-profit (overall)	4,140	34.1%
NGO Global	421	10,16% of all non-profit
NGO Local	1,486	35.9%
Academic Institutions	735	17.75%
Business Association Global	85	2%
Business Association Local	718	17.3%
City	78	1.9%
Foundation	386	9.3%
Labour Global	5	0.12%
Labour Local	51	1.2%
Public Sector Organization	175	4.22%

^{xxxvii} As mentioned before, companies have to hand in an annual *Communications on Progress* report. Therefore, the UN GC hands out a standardized document, but companies are also invited to hand in their progresses according to the *Global Reporting Initiative* (see chapter 4.3.1).

Around 6,000 Business participants are currently set active regarding their COP status. The data source does not state if non-business participants are contributing on an active status equivalent. During the last 12 years, since the start of the Global Compact, the initiative could invite between 1,000 and 2,400 companies to join per year. The figure [138] below shows the evolution of the signatories in total, divided in businesses and non-business participants. The

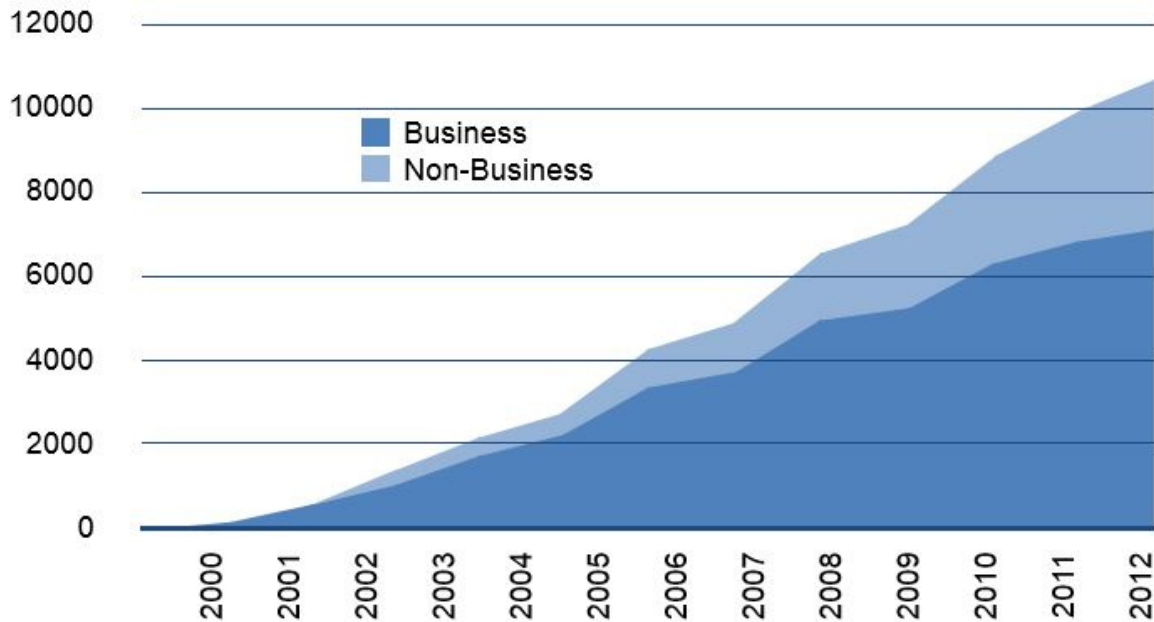


Figure 17 - Total signatories of the Global Compact since 2000

notable increase of non-businesses participants indicates the growth of the Local Networks, connecting business participants, but also the growing appreciation and awareness raising for Environmental, Social and Governance (ESG) related issues around the world.

The figure on the right shows the distribution of all business participants around the world. The greatest share are participants from Europe with *Small and Medium Enterprises* (SME), followed by Latin America and Asia. The MENA states (Middle East and Northern Africa, Africa and Australasia) are having below 400 participants each. Hence, these regions are underrepresented within the GC and this could indicate a lack of agreement on ESG values.

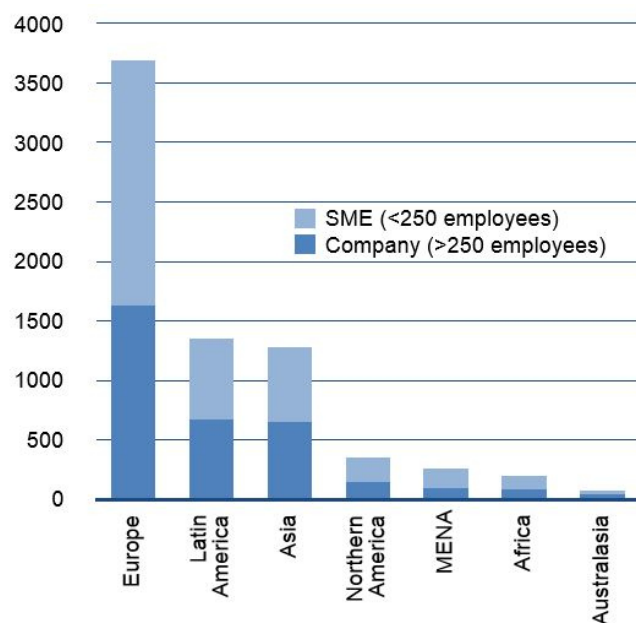


Figure 18 - Business Participants by Region & Size [28]

4.2.2. Surveys

To monitor progresses and current development on sustainability issues, the Global Compact uses several approaches to get the relevant information from its members:

1. The mandatory *COP* shows the steps a company has taken to implement the principles into a long term strategy and business processes.
2. The *Global Compact Implementation Survey* asks participating companies all around the world to answer questions about topics like sustainability, performance and leadership, implementation of the ten principles (in strategies and operations), taking action in support of broader goals and issues and the engagement with the Global Compact in Local Networks [139].
3. Besides these first two ways, the *Global Corporate Sustainability Report* focusses on the integration of sustainability measures into business practices.

In 2011, over 4,150 COPs were submitted, meaning 77% of all participating companies were in compliance with the COP policy (active status). Around half of all companies had a public policy, showing their commitment to the Global Compact. In the 2011 *Global Compact Implementation Survey*, 28% of all respondents (N=1,325) stated their work on sustainable issues is on an *advanced state*, the rest ranking on a beginner to intermediate level. 38% of business participants said that they received successful help from the initiative regarding corporate responsibility policies and practices. The survey shows also existing problems: in many cases, policies are put in place, but then, there is a lack of advancing to the next level of action. Companies aren't moving to wide range actions, including all issue areas of the Ten Principles and including their subsidiaries and their suppliers all along the supply chain. The implementation and improvement of environmental and labour issues are the areas of the highest contributions to the Global Compact. Anti-corruption and human rights measures are having lower policy implementation rates. The bigger the companies are, the more employee training and awareness actions are taken, as well as multi stakeholder dialogues and risk assessments, especially for environmental issues. The public disclosure of policies and actions and the multi-stakeholder dialogue has the highest share among companies that are being active in environmental related fields, having a large company size and are part of the initiative since the beginning (2000-2002). The conduct of risk assessment has also the highest share in the environmental area. 75% of the questioned companies support the UN Global Compact's mission to "*take action to advance broader UN goals and issues*" [139]. The most targeted areas on this topic are (regardless of company sizes), once again, environment and newly education. If companies are partnering with others, they mostly do with NGOs and other companies on a local level. Inside Local Global Compact Groups, over 50% of the interviewed companies are

engaged. In chapter 4.1.4, the working group *Business for Peace* was introduced. This initiative wants to support business in high-risk and/or conflict affected areas. 20% of the respondents state their businesses are involving work in these areas [139].

The Global Compact consults CEOs of participating companies in its annual *Global Corporate Sustainability Report (2013)* [138]. This report wants to give an overview about corporate actions and upcoming challenges to achieve sustainability and set these actions in context of the *Global Compact Management Model*. Thereby, the focus lies on elements that are critical for a comprehensive sustainable approach: management of practices to achieve sustainability inside the companies considering the Ten Principles and measures to include the whole supply chain into the process. Taking the latest report from 2013, the survey could reach 1,712 responses from 113 countries (25% response rate). Most respondents belong to SME companies from Europe and Latin America.

There are four key findings of the report (which could also be a measurement of the success of the Global Compact) [138]:

1. There is still a gap between “*saying and doing*”: Companies are committing to sustainability targets, but the majority is not taking it into account on a strategy implementation level, neither in manager training nor on operational process level.
2. The leading companies (referring to the LEAD program, see chapter 4.1.5) within the Global Compact are large companies. For SMEs, the reports states, it remains a big challenge *to move from commitment to action*. Bigger companies are more tending to have installed and working human rights complaint systems or environmental performance indicators. One reason for the backlog of SME could be the lack of financial and personal resources.
3. Companies are expecting compliance policies according to the Ten Principles from their suppliers, but implementation assistance or help is only offered by 18%. According to the report, supplier sustainability is one of the biggest drawbacks on the way to higher sustainable performance.
4. Companies tend to see the “*big picture*” behind sustainable behavior and begin to realize how they are able to make the world better for everyone. Over 70% of all companies are considering broad UN goals and issues into their strategies and actions.

In addition, the UN Global Compact released in cooperation with the IT-consultancy *Accenture* the *UN Global Compact-Accenture CEO Study on Sustainability 2013* with additional findings [108] (see chapter 3.3 for details).

4.3. Cooperation with other Initiatives

The UN Global Compact is a diversified initiative, contributing to improvements for employees and the society and new CSR policies in four business areas (Human Rights, Labour, Environment and Anti-Corruption). Therefore, it is essential to work and cooperate with other initiatives, agencies and organizations belonging to the United Nations' Group and are experts on their specific fields of work.

4.3.1. Global Reporting Initiative

The Global Reporting Initiative (GRI) is, self-described, “*a leading organization in the sustainability field*”. By the use of sustainability reporting, the GRI wants organizations to become more sustainable and contribute to sustainable development. UN GC participants are allowed and invited to submit the annual COP report according to the GRI guidelines. This is possible since June 2010, when a universal framework between the Global Compact and the GRI was established [140]. By a so called *Memorandum of Understanding*, both initiatives are willing to integrate important guidelines and principles, from each other into their own frameworks. So, the GRI integrates the Ten Principles into the Reporting Guidelines and on the other hand, the UN Global Compact invites its participants to use the GRI's guidelines for the Communication on Progress (COP) [141]. The GRI offers specialized Reporting Guidelines, also for the Real Estate Sector (see more in chapter 3.2.1). The cooperation enables both initiatives to reach more companies and relevant authorities and affect a greater focus on ESG targets.

4.3.2. Principles for Responsible Investments

The *United Nations Environment Program's* (UNEP) *Financial Initiative* (FI) and the Global Compact implemented the six *Principles for Responsible Investments*. They were created by a group of “*leading institutional investors*”, supervised by the Secretary General of the UN [142]. The Global Compact financial working group is in direct contact with the UNEP FI to ensure environmental, social and sustainable practices are established among the private financial sector. Currently, over 170 financial and insurance institutes, from over 44 states around the world, are supporting the UNEP FI's mission to achieve a systemic change in finance for as sustainable world. With the help of the Six Principles for Responsible Investments, implemented by members of the financial market, this goal shall become reality [143]:

- **Principle 1:** “We will incorporate ESG issues into investment analysis and decision-making processes.”
- **Principle 2:** “We will be active owners and incorporate ESG issues into our ownership policies and practices.”
- **Principle 3:** “We will seek appropriate disclosure on ESG issues by the entities in which we invest.”
- **Principle 4:** “We will promote acceptance and implementation of the Principles within the investment industry.”
- **Principle 5:** “We will work together to enhance our effectiveness in implementing the Principles.”
- **Principle 6:** “We will each report on our activities and progress towards implementing the Principles.”

By signing and implementing the principles above, signatories obligate themselves to incorporate sustainable issues into their decision processes.

4.3.3. Principles for Responsible Management Education

The *Principles for Responsible Management Education* (PRME) are six principles, created under the coordination of the Global Compact for institutions of higher education that train and teach future managers. In 2007, an international task force, containing 60 deans, university presidents and official representatives of business schools and academic institutions, created the following six principles with support the mission to globally “*inspire and champion responsible management education, research and thought leadership*” [144] [145]:

- **Principle 1** (Purpose): “We will develop the capabilities of students to be future generators of sustainable value for business and society at large and to work for an inclusive and sustainable global economy”.
- **Principle 2** (Values): “We will incorporate into our academic activities and curricula the values of global social responsibility as portrayed in international initiatives such as the *United Nations Global Compact*”.
- **Principle 3** (Method): “We will create educational frameworks, materials, processes and environments that enable effective learning experiences for responsible leadership”.
- **Principle 4** (Research): “We will engage in conceptual and empirical research that advances our understanding about the role, dynamics, and impact of corporations in the creation of sustainable social, environmental and economic value”.

- **Principle 5** (Partnership): “*We will interact with managers of business corporations to extend our knowledge of their challenges in meeting social and environmental responsibilities and to explore jointly effective approaches to meeting these challenges*”.
- **Principle 6** (Dialogue): “*We will facilitate and support dialog and debate among educators, students, business, government, consumers, media, civil society organizations and other interested groups and stakeholders on critical issues related to global social responsibility and sustainability*”.

Similar to the *Communication on Process* reports, submitted by participants of the Global Compact, academic members of the PRME share their progresses via a public *Information on Progress* (SIP) report. Currently, 527 organizations have joined the initiative. They have published 559 SIP reports over the years [146].

4.3.4. Caring for Climate

This initiative was launched in 2007 by the UN Global Compact, the *UN Framework Convention on Climate Change* and the UN Environments Program. The basic idea behind *Caring for Climate* is to address climate change to the behavior of business all around the world. Like the Global Compact, the initiative offers a framework of tools and resources, to help business leaders with practical solutions, creating policies and strategies to reduce and disclose emissions. So, the initiative wants to motivate many business leaders to join and support the *Caring for Climate Statement* with the goal to prevent a climate change crisis [147]. The disclosure of emissions is intended to be part of the Communications on Progress reports of the Global Compact signatories.

4.3.5. Global Compact for Cities Program

To motivate cities to endorse the Global Compact and its values, the Cities Program has been established. Municipal and governmental authorities, businesses and civil society collaborate on an urban level to achieve and enhance sustainability, resilience and diversity. Therefore, the Ten Principles are translated into action plans for urban governance and management [148]. To join the program, the highest city-official has to send a letter addressed to the UN Secretary General, saying the city is committing to the Ten Principles and then apply to the Global Compact with the regular, online application form.

4.3.6. Business Call to Action

Together with its partners like the Global Compact or the *Clinton Global Initiative*^{xxxviii}, this initiative wants to support companies in reaching the *Millennium Development Goals*, enabling commercial success and a development impact. Currently, 85 companies are making commitments to the initiative, adapting to corporate social responsible behavior by the use of inclusive business models. In addition, *Business Call to Action* (BCtA) provides a platform to share best practices, to enable knowledge transfer and to link companies with donors and other “key stakeholders”. The BCtA’s work focusses on people with low income and developing countries. It provides improved accesses to financial services, energy and health systems [150].

4.4. Representation of the Real Estate Sector within the UN Global Compact Initiative

The sectors that are directly connected with the Real Estate Business, are categorized as following in the Global Compact:

- **Construction and Materials** (476 active participants)
- **Household Goods and Home Construction** (76 active participants)
- **Real Estate Investment & Services** (80 active participants)
- **Real Estate Investment Trusts** (3 active participants)

In summary, 635 of 5,966 active business participants are related to the Real Estate Sector. Given an overall share of 10.64%, the interests of the Real Estate Sector seem to be represented within the initiative. If the unspecific *construction and materials* category is left out, the share drops down to just 2.7%. Inside this share, household goods are still also included. REIT providers are clearly underrepresented with only three active participants. If companies act in several sectors, like financial institutes, the problem occurs to which sector they are been related to in the database. This could also reduce the number of companies that are active within the Real Estate Sector, but not listed in this specific sector. Another issue is that companies exist that have implemented the *Principles for Responsible Investment*, but are not participants of the UN Global Compact^{xxxix}. This statement is underlined by the following aspect: According

^{xxxviii} Established in 2005 by the former President of the United States, Bill Clinton and is working to “turn ideas into action” on the “world’s most pressing challenges” [149]

^{xxxix} For example, the Union Investment Group [151] (an Real Estate investment services provider) adapts the Principles for Responsible Investment, but isn’t part of the Global Compact, neither are its subsidiaries

to the new survey by the *UN GC/RICS Sectoral Project*^{XL} [2], the *Real Estate and Investment Services* sector accounts for one of the highest revenues compared to all other business and also has the highest number of business itself. This increases the relevance of this sector within the Global Compact and also with regard to measures to Corporate Sustainability. The presentation further lists another important aspect in regard of higher focus of the initiatives activity within the Real Estate Sector: Only 3% of all US participants of another survey by the UNGC affirmed that their main revenue (50% or more) origin from activities within this sector. However, the US is one of the most important and fastest growing Real Estate markets, either for investments, constructions or other related services (see chapter 3.1.3).

Besides the internal arguments to undertake higher efforts within the Real Estate Sector by the Global Compact, there are also recent issues that show this need. Especially the construction of Real Estates (residential and commercial) was and still is an area of violations to international and national regulations on human and labour rights. The following two incidents show examples of recent violations.

1. *“Exploitation of Migrant Workers: 2014 Winter Olympic Games in Sochi (Russia)”*

NGOs like „*Human Rights Watch*“(Europe and Central Asia) report several issues during the construction projects prior to the Winter Olympic Games. According to on-site interviews with migrant workers, wages were not paid or illegal deductions were taken. In addition, signed contracts were not handed out to workers and the given food and accommodations would not reach international standards [152].

2. *Labour rights and the Qatar Soccer World Cup 2022*

Major abuses do also occur during the preparations of the 2022 World Cup in Qatar. According to the *International Trade Union Confederation* (ITUC), workers' labour rights are denied by the special “*kafala visa sponsorship system that ties workers to their employees*”[153]. In addition, besides discriminating or neglected laws, there are also violations by employers: passport confiscations, contract issues, housing, health and safety violations and even work under menace of penalty [154]. Although the ILO is working together with the *Supreme Committee* of the project on the issues, the discrediting system still exists [155].

^{XL} As part of the project presentation on 18th February 2014

These violations occur although the respective countries are members of the United Nations and are also members of the ILO, which means they have to adapt to the organization's regulations even if they have not ratified them (see chapter 2.1). It also shows the problematic connection between mega-projects in the Real Estate sector and workers' rights violations.

International construction companies are also involved in many big construction projects, so in Qatar (especially British and American companies). They are aware of the situation and released statements to the media [156]& [157]. The companies were inter alia citing existing compliance policies or stating no influence on *contractor's labor force*. The *Building and Wood Workers' International Union* (BWI) found "*disturbing evidence of wrong practices and gathered testimonies about the violations of internationally accepted labour standards*" [158]. The union also demands a "[...] concept of 'general responsibility' in a construction contracting chain and reiterated the equal responsibility of the client and the government". According to the BWI, there are only few examples of concrete policies by international construction companies on workers' rights [158].

The violations stated above, together with global importance of the sector due to its high impact on the environment, the society and the economy, underpin the need for private sector sustainable development initiatives. With the help of initiatives, companies will be able to understand the concept behind sustainability and are guided by specified tool kits and best practices from "*saying to doing*". So, companies could become role models for sustainable developments, notably if there are no governmental policies yet.

Currently, there are insufficient established best practices and tool-kits for the Real Estate sector within the Global Compact. Hence, the next steps will now be to investigate initiatives to unveil possible best practices and to get input how to integrate measures to a more sustainable Real Estate sector among members of the Global Compact.

5. International Investigation of Initiatives

This chapter presents the results of a worldwide survey about relevant initiatives, specifically for the Real Estate sector and also covering the four areas of the Global Compact (Human Rights, Labour, Environment and Anti-Corruption). As a final result of the survey, initiatives are selected for further investigation and comparison with the Global Compact, leading to holistic approach for initiatives of the Real Estate sector in achieving sustainable goals (chapter 6/7).

5.1. Research Approach

During the research for this master thesis, the author investigated over 200 English and German speaking, sector specific and sector un-specific initiatives around the world.

Focus/Target

The focus of the investigation was to determine initiatives for a sustainable development within the Real Estate Sector to establish a basis for the creation of a holistic approach and the deriving of recommendations for the UN Global Compact.

Survey Site

Regional, national and international initiatives all over the world with information available in English and German were covered by the investigation. This included inter alia NGOs, professional bodies, trade union and governmental organizations. Primary sources of information were a detailed internet research on international websites and the study of newspaper articles, journals and other publications.

Main Questions

Attention was focused on finding answers to the following questions:

- Which areas of the Ten Principles (human rights, labour, environment and anti-corruption) are covered?
- How deeply is the Real Estate Sector integrated into the initiative?
- Does the initiative have an own Code of Conduct?
- Which and how many participants does the initiative have?
- How does the regional distribution of the investigated initiatives look like?
- What kind of integrity measures does the initiative use?
- Are these initiatives independently operated and how is their approval by the society and governmental authorities as well as business partners?

Aggregation of results

The results of the investigation were aggregated in a matrix system. Therefore, the findings were differentiated into nine sub categories:

- Initiatives (Environmental, Social, Governance, Sustainability, Human and Labour Rights, Anti-Corruption)
- Social Responsible Investments (SRI) & Institutes/Services
- Information/Knowledge Exchange
- Conferences
- Financial Institutes
- Real Estate Construction
- Rating Agencies
- Declarations
- Indices

In addition, the following specific attributes of every initiative were collected and analyzed in the columns of the matrix:

- Business Sector
- Focus
- UN Global Compact Area
- Codes of Conduct
- Main Goals
- Vision/Mission
- Organizational Structure
- Type of membership
- Participants

The appendix shows a screenshot of the matrix and also lists all found and context-relevant initiatives (see chapter 10.3).

Evaluation of results

In the next step, the initiatives were ranked (in a *low to high* system) according to their relatedness to the Real Estate sector and to their context importance regarding the four areas of the Ten Principles. This lead to their final *Overall Importance*.

5.2. Results of the Survey

First, this chapter describes general findings of the investigation. Second, it presents detailed information about the distribution of initiatives in specific contexts.

5.2.1. General Findings

One goal of the investigation was to find the level of representation in all four areas of the Global Compact (Human Rights, Environment, Labour and Anti-Corruption) by Corporate Sustainability initiatives. Taking the results at a glance, the author could establish the following key findings regarding the focus of the initiatives, their operation and their engagements in the four areas of the Global Compact:

1. Environment

The majority of the investigated initiatives had a clear focus on environmental topics. The Protection of the environment is a main goal of many initiatives. If they do so and regard specifically the real estate sector, their main topics/goals are:

1. Engagement in the usage of renewable energies
2. Energy Efficient homes
3. Sustainable resource treatment
4. Best Practices to reduce the impact on the environment/achieving Corporate Sustainability structures
5. Certification Systems
6. Sustainable Reporting

Many initiatives, especially for energy efficiency and environmental issues of the Real Estate sector, are under governmental control (enforced by e.g. renewable energy laws).

2. Labour

Initiatives concerning Labour Rights and practices had a clear focus on the sensitization and training of employees and companies respectively. The initiatives found do insufficiently cover the improvement of working conditions. Regarding investment practices, there are initiatives that promote ethical and sustainable investments and also provide guidance to financial advisers. But on the other hand, the author also investigated a clear lack of initiatives within the Real Estate sector, which cover how, by whom and under which working conditions Real Estates have been built.

3. Human Rights

In the developed world, Human Rights initiatives are underrepresented in the Real Estate sector. One possible reason is that these initiatives are seen as not necessary, because the basic Human Rights are already guaranteed by the state itself. In other cases, the demanding for Human Rights could also be understood as a criticism of the government. So, organizations are not allowed to act or are restricted in their actions (see also chapter 4.4 for recent issues).

4. Anti-Corruption

A similar situation was investigated for Anti-Corruption initiatives. There is also a lack of initiatives in this area, although corruption is a big issue in the Real Estate sector as well. Company policies do exist, but they have to be sided by laws and restrictions. Therefore, the resulting problem is that national states are responsible for the exposure and the punishment of bribery. They have to provide the funds and human resources and as long they do this insufficiently, corruption could grow. But there are also good signs: Initiatives for corporate or sustainable reporting also help to disclose information on a company's activities and currently, there are a growing number of systems in use (see also chapter 3.2.2).

5.2.2. Distribution of Initiatives

The following figure shows the relevant initiatives found in all economic sectors ($\Sigma 136$) and for the Real Estate sector only ($\Sigma 42$).

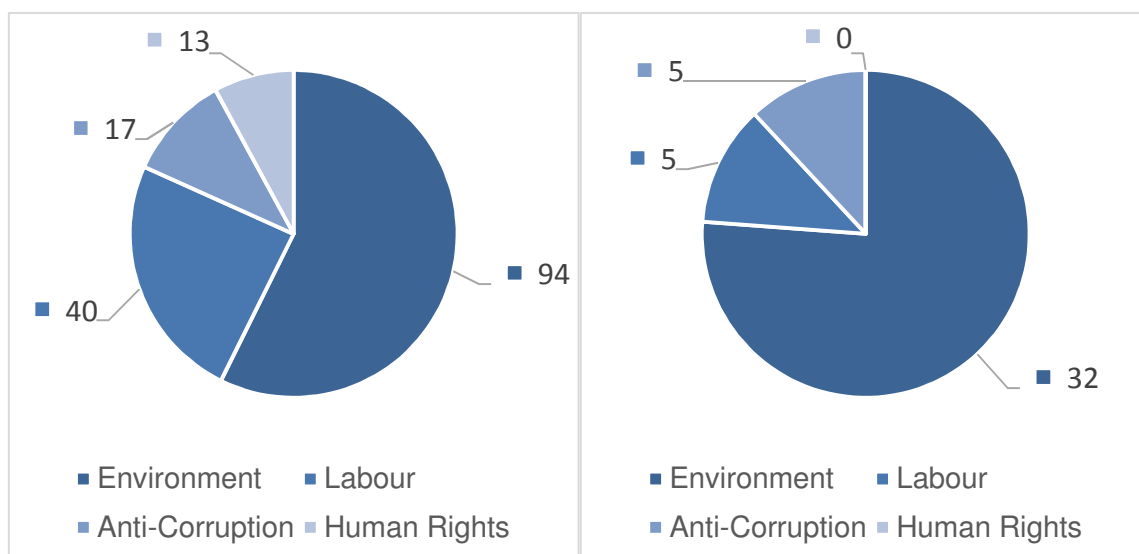


Figure 19 - Initiatives per UN Global Compact area (left: all sectors and right: Real Estate sector)

The initiatives in the two diagrams also include constitutional programs, e.g. of the United Nations or the ILO. For example, the share of labour initiatives in the right pie chart contains the

United Nations Economic Commission for Europe. These governmental organization initiatives will only be taken into account, as long as they are not already part of the Global Compact and if they achieve remarkable progresses within the private sector. In addition, their structures and their approaches and policies have to be transferable to a voluntary initiative like the Global Compact (see more about the selection of initiatives for further investigation in chapter 5.3.1).

Another problem hereby is that initiatives like the one mentioned before are very often acting in more than one Global Compact area (here: Labour and Environment), making the direct assignment to one area difficult. Therefore, double registrations are possible. Internal initiatives that are initiated by construction companies have been sorted out before.

The worldwide distribution of the found initiatives over *all sectors* is displayed in the figure below (including double registrations):

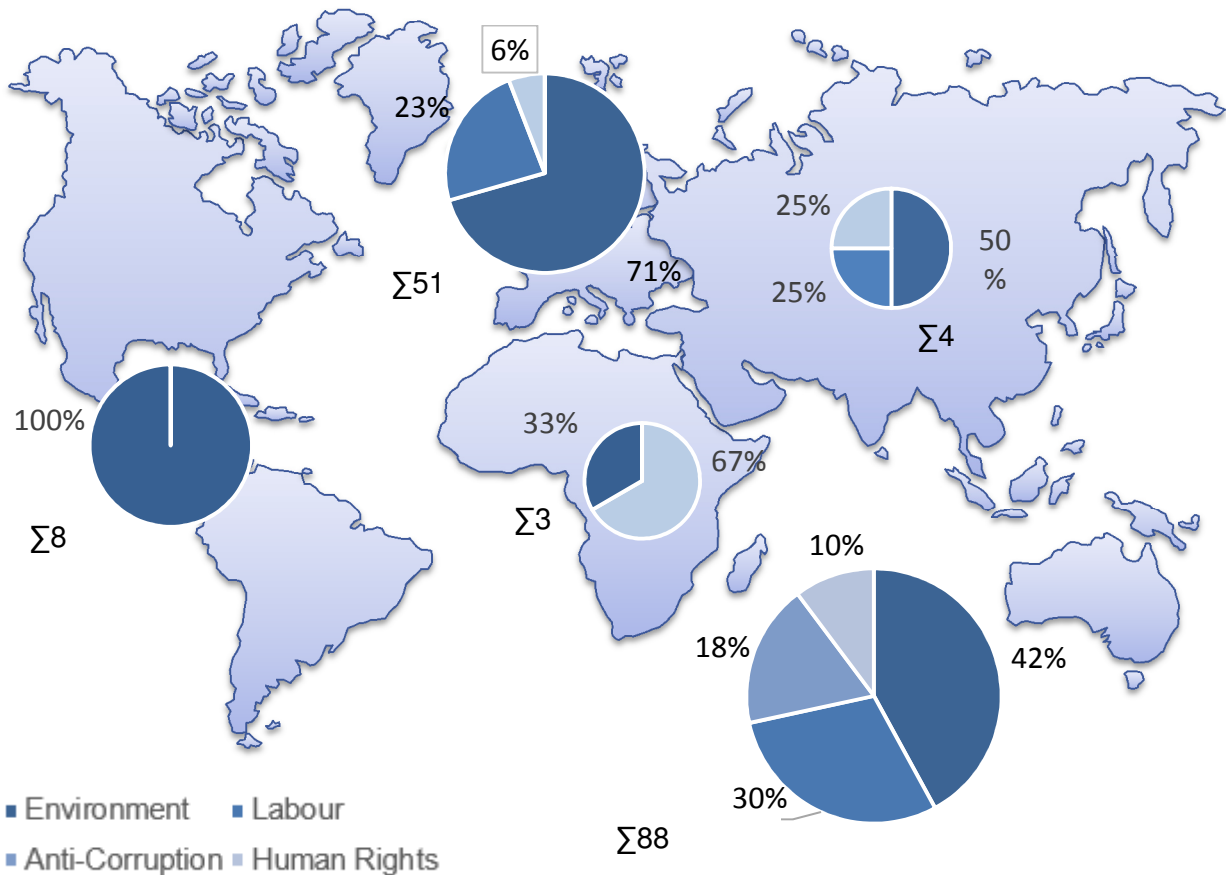


Figure 20 - Worldwide and regional distribution of initiatives (all sectors)

The majority of all initiatives, displayed in the very low diagram, are acting on a worldwide level: 37 initiatives are active on a global level regarding environmental issues; 25 regard Labour issues, followed by 16 Anti-Corruption initiatives and nine are promoting Human Rights. It is remarkable that Anti-corruption initiatives were only found on a global level, but not regional or national.

If the figure above is detailed for the Real Estate sector, the following distribution occurs (double registrations are also possible):

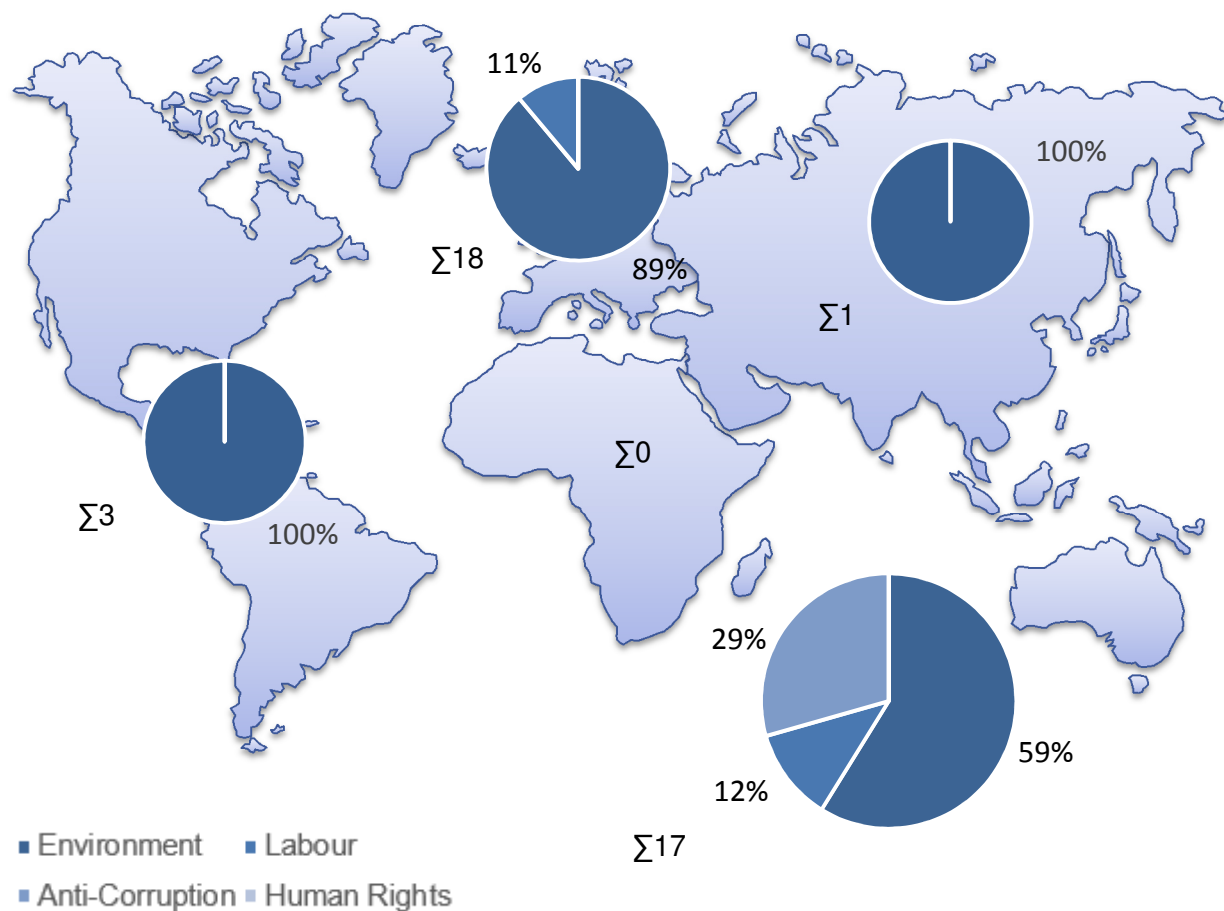


Figure 21 - Worldwide and regional distribution of initiatives (Real Estate Sector only)

The sector-specific view on the distribution shows strong changes compared to the unspecific approach. Initiatives were only found on a global level or in the European or American region. The focus is hereby on environmental issues, initiatives that specifically regard Human Rights within the Real Estate sector have not been found (neither regional nor global). Anti-corruption initiatives seem to be acting mostly global, similar to the unspecific findings. There were only four initiatives found for sustainable Labour Practices, two at a global and two at a European level.

5.2.3. Conclusions

The investigation proved the need for a specialized approach for the Real Estate Sector by the Global Compact. There are initiatives that take action in the Real Estate Sector, but they do insufficiently cover main issues like Human Rights or Labour Rights. This shows the need for the motivation of more corporate action in these areas, especially by an established and worldwide recognized initiative as the Global Compact, which is active on a global, national and regional level.

Environmental issues, especially for energy efficiency of housing and commercial buildings, are already represented in initiatives and regulations (see chapter 3.2.3). Thereby, certification systems play a big role in the comparison of the energy efficiency of commercial and residential buildings. But there is no global standard yet and the existing systems are focused on environmental issues. One reason for the lack of found initiatives in the Real Estate sector in Africa and Asia is the limitation of the investigation to English and German sources. But it is also to mention that sustainability initiatives are increasingly found in the European area, either regarding sector specific or sector un-specific initiatives. Also taking in account the recent developments mentioned in chapter 3.1.3 and 3.2.2, where a positive market outlook and also the growing understanding for sustainable issues within the Real Estate Sector were revealed, the author sees good changes for setting higher Corporate Sustainability goals. Especially the setting of targets for non-environmental issues (e.g. community, society, Human and Labour Rights within the Real Estate Business) has to be promoted. This potential could to be enabled with the help of initiatives like the Global Compact.

The next chapter will select initiatives for further investigations.

5.3. Selection of Adequate Initiatives

This chapter presents private sector initiatives with in Real Estate business in detail.

5.3.1. Selection Method

The investigation matrix also lists initiatives that are currently part of the Global Compact, which have to be sorted out. Also initiatives with no mentionable recent activities or initiatives working on a local or national level only are sorted out due to their incomparability to the Global Compact. In advance, the following aspects were also taken into account during the detailed attribute analysis to filter out relevant initiatives:

- Structure (government-led or independently operated)
- Relevance for the Real Estate sector
- Attributes against other private sector initiatives
- Overall rating
- Strong company policy (although not an initiative by definition)
- Geographical context
- Recent activities (media, release of papers or journals etc.)
- Representation of stakeholders
- Number of members
- Number of initiatives in the UN Global Compact areas

5.3.2. Selected Initiatives per Investigation Category

Taking the above conditions into account, the author identified the following most important initiatives per investigation category acting in the Real Estate sector. In addition, the author will categorize the found initiatives into new sub categories, which will reference to the Best Practice analysis in chapter 6. The then found best practices show possible ways how to adapt the Global Compact to the Real Estate sector.

Table 11 - Selected Initiatives

Initiative	Type	UN GC area	Region	Main Goal	Short Description	Source
<i>Input for Human Rights</i>						
International Real Property Foundation (IRPF) with IPMS	Foundation	All areas	Worldwide, Developing countries	Achieving sustainable property market development	<i>"The mission of the IRPF is to assist in the creation of free, efficient, transparent and equitable real estate markets anchored to private property rights"</i>	[159]
<i>Input regarding Environmental issues</i>						
European Construction Industry Federation (FIEC)	Parent Organization	Environment & Labour	Europe	Representation, Raising Awareness	<i>"Represent and promote the interests of the European construction industry"</i> (Own code of Conduct)	[160]
German Property Federation (ZIA)	Lobby Group	Environment	Europe/Germany	Creating Values and policies for sustainability within the Real Estate Sector	<i>"German Property Federation or ZIA, is a regulatory and economic lobby group for policy in the pro-property sector"</i> (Own CC.)	[161]
Urban Land Institute (ULI)	Research and Education Organization	Environment	Worldwide	Responsible Use of Land/Creating sustainable communities	<i>"Representing the entire spectrum of land use and real estate development disciplines, working in private enterprise and public service"</i> (Own code of Conduct)	[162]
International Energy Agency, Sustainable Buildings Center	Organization	Environment	Worldwide	Ensuring reliable, affordable and clean energy	Helping member countries to achieve their energy security and climate goals, mandatory renovation rates (Own CC.)	[163] & [164]
E2B EI - Energy Efficient Buildings European Initiative	collaboration framework	Environment	Europe	Energy efficiency in the built environment	<i>"Increasing the level of research [...] in the fields of energy efficient construction processes, products and services."</i>	[165]

Initiative	Type	UN GC area	Region	Main Goal	Short Description	Source
International Sustainability Alliance (ISA)	Network	Environment	Worldwide	Environmental assessment of member properties	Dedicated to achieve higher sustainability in the built environment.	[166]
World Business Council for Sustainable Development - Energy Efficient Buildings (WBSCD-EEB)	Business Association	Environment (member)	Worldwide	Implementation of the manifesto by member companies	Subdivision of WBSCD, specialized in all topics around the planning, construction and maintenance of buildings and used materials	[167]
Construction Product Europe	Business Association	Environment	Europe	Facilitate sustainable competitive growth	<i>"Promoting efficient housing and infrastructure solutions through consensus and dialogue with the European Institutions and societal stakeholders."</i>	[168]
Global Buildings Performance Network	Research and Education Organ.	Environment	Worldwide	Provide policy expertise	<i>"Advance building energy performance and realize sustainable built environments for all"</i>	[169]
<i>Input regarding Labour Rights</i>						
International Federation of Consulting Engineers (FIDIC)	Business Association	Labour	Worldwide	Knowledge transfer, awareness rising	<i>"Enabling the development of a sustainable world as the recognized global voice for the consulting engineering industry"</i> (Own code of Conduct)	[170]
Building and Wood Worker's International	Union Federation	Labour	Worldwide	Protecting and promoting workers' rights	<i>"Promote the development of trade unions in our sectors throughout the world and to promote and enforce workers' rights in the context of sustainable development."</i>	[171]
Confederation of International Contractors' Associations (CICA)	Union Federation	Labour, Environment	Worldwide	Protecting and promoting contractors' rights	<i>"Representing the construction industry on technical, legal and political matters of international concern"</i>	[172]
<i>Input regarding Anti-Corruption</i>						
Global Infrastructure Anti-Corruption Centre	Non-profit organization	Anti-Corruption	Worldwide	International Alliances and Anti-Corruption resources	<i>"Understanding, identification and prevention of corruption in the infrastructure, construction and engineering sectors."</i>	[173]
Construction Sector Transparency Initiative (CoST)	Multi-Stakeholder Initiative	Anti-Corruption	Worldwide	Transparency	<i>"Promoting transparency and accountability in publicly financed construction."</i>	[174]

Initiative	Type	UN GC area	Region	Main Goal	Short Description	Source
International Real Property Foundation (IRPF)	Foundation	Anti-Corruption	Worldwide	Compliance Training of Professionals	<i>"Assist in the creation of free, efficient, transparent and equitable real estate markets anchored to private property rights"</i>	[175]
<i>Input regarding Reporting</i>						
Green Rating	Business Association	Environment	Europe	Improving Benchmarking Tools	<i>"Using and enhancing Green Rating assessment tools and benchmarking platform in order to make a real positive change in commercial real estate assets and portfolios."</i>	[176]
ECO Platform (including associate initiatives)	Business Association	Environment	Europe	Promoting Sustainable Development	<i>"The objective to support the provision of unbiased credible and scientifically sound information for construction products"</i>	[177]
Global Real Estate Sustainability Benchmark (GRESB)	Industry-driven organization	Environment	Worldwide	Measuring sustainable performance	<i>"Enhance and protect shareholder value by evaluating and improving sustainability best practices"</i>	[178]
European Public Real Estate Association (EPRA)	Business Association	Environment	Europe	Aggregating information/lobbying	<i>"Promote, develop and represent the European public real estate sector"</i>	[179]
<i>Input for Integrity measures and monitoring</i>						
Impact Reporting and Investment Standards (IRIS) from the Global Impact Investing Network (GIIN)	Reporting metrics	All Areas	Worldwide	Facility Metrics	<i>"Generally accepted performance metrics to measure social, environmental, and financial success, evaluate deals, and grow the sector's credibility."</i>	[180]
Sustainability Accounting Standards Board (SASB)	Reporting Standards	All Areas	Worldwide	Sector specific standards	<i>"With SASB industry-specific standards in place, companies compete and improve performance on the sustainability issues that matter most and investors drive capital to the most sustainable outcomes."</i>	[181]

Initiative	Type	UN GC area	Region	Main Goal	Short Description	Source
Responsible Investment Standard (ARISTA)	Reporting Standards	All Areas	Worldwide	Investment standards	<i>“Comprising guidelines and rules, commitments and verifiable evidence of the transparency, quality, accountability and verifiability of the processes involved in Responsible Investing (RI) research.”</i>	[182]
Oekom research	Monitoring	All Areas	Worldwide	Improve ESG performance of companies	<i>“Give companies an incentive to improve their environmental and social performance continuously.”</i> (Own code of Conduct)	[183]
<i>Promoting Sustainability</i>						
Institute for Market Transformation (IMT)	Lobby Organization	Environment	North America	Energy Efficient Buildings	<i>“Support leaders to craft, adopt, and implement policies for high-performance buildings”</i>	[184]
Sustainable Investments Forum (FNG)	Business Association	All areas	Europe	Promoting sustainable investments	<i>“Highlight the positive impact of sustainable investment on the direction of social and environmental change”</i>	[185]
Global Sustainable Investment Alliance (GSIA) and all partners	Partner Organization	All areas	Worldwide	Collaboration between regional SIF	<i>“A world where sustainable investment is integrated into financial systems and the investment chain”</i>	[186]
Better Buildings Partnership	Business collaboration	Environment	Europe	Improving sustainability of commercial buildings	<i>“A Memorandum of Understanding and example green lease clauses so that occupiers and landlords can formally agree to collaborate”</i>	[187]
Sustainability Roundtable	Company	All areas	Worldwide	Best practices for more sustainable business	<i>“Principle-centered leadership in business and in the broader communities”</i>	[188]
<i>Input for Implementing Strategies by Companies</i>						
Commercial Real Estate Services (CRBE)	Real Estate Company	All areas	Worldwide	<i>“Respect, Integrity, Service, and Excellence”</i>	Codes of Conducts relating to employees, business partners, communities	[189]

Initiative/Company	Type	UN GC area	Region	Main Goal	Short Description	Source
Lend Lease	Real Estate Company	All areas	Worldwide	„Sustainable leader in the property and infrastructure sector“	Employee training, green buildings, strong ESG policies	[190]
Sustainable Development Capital LLP (SDCL)	Real Estate Investment Company	All areas	Worldwide	“Create sustainable investments and investment vehicles”	“Operate exclusively within the sectors that stand to benefit the most from the world’s move toward resource efficiency and sustainable development”	[191]
<i>Important Certification Systems</i>						
Building Research Establishment Environmental Assessment Method (BREEAM)	Rating system for buildings	Environment	Worldwide	Sustainable Built Environment	“Environmental assessment method and rating system for buildings”	[192]
German Sustainable Building Council (DGNB)	Rating system for buildings	Environment	Europe	Sustainable Built Environment	“Promote sustainable and economically efficient building”	[193]
Leadership in Energy and Environmental Design (LEED)	Rating system for buildings	Environment	Worldwide	Sustainable Built Environment	“A sustainable built environment for all within the next generation”	[194]
<i>Knowledge Exchange</i>						
Forum for Sustainable Development of German Business e.V. (econ-sense)	Think Tank	All areas	Europe	Dialogue platform and Think Tank	“Advancing sustainable development in business and assuming social responsibility”	[195]
<i>Additional Input from Selected Sector unspecific Initiatives</i>						
International Integrated Reporting Council (IIRC)	Business Association	Environment/Reporting	Worldwide	Creating a global framework	“Communication about businesses’ value creation should be the next step in the evolution of corporate reporting.”	[196]

Initiative/Company	Type	UN GC area	Region	Main Goal	Short Description	Source
Global Initiative for Sustainability Ratings (GISR)	Business Association	Environment/Reporting	Worldwide	Creating sustainability rating standards	<i>“Expand and accelerate the contribution of business and other organizations worldwide to sustainable development”</i>	[197]
Sustainlabour	Labour initiative	Labour	Worldwide	Sustainable Development	<i>“Encouraging changes that are in favor of the environment and workers”</i>	[198]
Business Social Compliance Initiative	Labour initiative	Labour	Worldwide	Good working conditions	<i>“Improving working conditions in factories and farms worldwide”</i>	[199]
International Trade Union Confederation	Labour initiative	Labour	Worldwide	<i>“Promotion and defense of workers’ rights and interests”</i>	Areas of work: Trade union and human rights; economy, society and the workplace; equality and non-discrimination; and international solidarity	[200]
Forum Ethibel	Awareness Raising	Europe	Europe	Offering Sustainable Investments	<i>“Develops a framework and tools to stimulate socially responsible investing and corporate social responsibility.”</i>	[201]
Round Table Codes of Conduct	Round Table	Labour	Europe	<i>“Implementation of social standards in global supply chains”</i>	<i>“Implements joint projects to test solutions for implementing social standards in the supply chain.”</i>	[202]
Business Human Rights	Information Platform	Labour and Human Rights	Worldwide	Information	<i>“The only non-profit organization drawing attention to the human rights impacts (positive & negative) of over 5100 companies, operating in over 180 countries.”</i>	[203]
Human Rights Watch	NGO	Human Rights	Worldwide	Defending people’s rights	Independent organization, fighting for and monitoring human rights developments	[204]
CSR Europe	CSR Network	All areas (member)	Europe	<i>“sustainable and inclusive growth”</i>	<i>“Connect companies to share best practices on CSR to shape the business and political agenda on sustainability and competitiveness in Europe”</i>	[205]
Sustainalytics	Company	All areas	Worldwide	<i>“Responsible investment research firm”</i>	<i>“Helping institutional investors to ensure that their holdings are in compliance with the Principles of the United Nations’ Global Compact”</i>	[206]

6. Evaluation of Initiatives for a sustainable Real Estate Sector

In this chapter, the selected initiatives will be further analyzed and grouped according to the possible best practices they involve.

6.1. Starting Position

In chapter 3.3 and 4.4, the need for more engagement by the Global Compact initiative within the Real Estate and Construction Sector was explained. To conclude, the UN Global Compact is the biggest initiative for sustainable development in the private sector, while, on the other hand, the Real Estate sector is held accountable for 40% of final energy used globally. If the energy is included that is needed during the construction processes, the consumption level grows to 50% [207]^{XLI}. In addition, the overall deployment share is around seven percent. The economic value of this sector is also very high: according to the Royal Institution of Chartered Surveyors, the global wealth relies up to 70% on the Real Estate and Construction Sector and its activities have a 10% of the worldwide annual Gross Domestic Product (GDP).

These underlines the great influence of this sector on society, the environment and the economy. But it also shows the potential of a great exertion of influence on the development of this sector, especially having the following points in mind:

- Good, recovering industry outlook (see chapter 3.1.3)
- CEOs who are more and more accepting green thinking as a strategy (see chapter 3.2.2)
- The growing pressure from the demand side to more sustainability (also chapter 3.2.2)
- Regulations by governments to e.g. sustainable reporting (but with often unspecific legal requirements)
- Hence, the arising call for help by companies (but at the same time: missing best practice approaches, tool kits and platforms for knowledge exchange)

This help can be offered by voluntary initiatives like the Global Compact. Due to the lack of a holistic sector specific approach, new strategies for the initiative have to be established.

^{XLI} Other sources state a final energy consumption share of 17-36% per country and 23% worldwide for the residential sector only [208].

The following chapter explains the method, how a strategy can be derived from existing initiatives and which categories are relevant for a holistic approach.

6.2. Development of a Holistic Approach

The results of the worldwide survey of initiatives for sustainability were presented in chapter 5.2 and following. Now, important aspects on the way to sustainable development within the Real Estate and Construction Sector will be developed. Based on the four areas of the Global Compact, an initiative for sustainable development in the Real Estate and Construction Sector should fulfill the following requirements, which are categorized into basic and sector specific.

6.2.1. Basic Requirements of Initiatives

These requirements have to be fulfilled by every sustainability initiative in the private sector.

Table 12 - Basic requirements

#	Requirement	Attributes	Exemplar Initiatives
1	<p>Based on the Principle of Voluntarism:</p> <p>The motivation of all participants to join an initiative has to be intrinsic and out of free will</p>	<ul style="list-style-type: none"> • Self-motivation • Non-mandatory action • Willingness to corporate sustainable leadership • Being role model to other stakeholders 	All found private sector initiatives
2	<p>Codes of Conduct:</p> <p>These rules and/or standards companies or other signees promise to undertake are the foundation to all further actions</p>	<ul style="list-style-type: none"> • Integrating important areas of sustainable development (see also 6.2.2) 	<p>UN GC, FIEC, ZIA, ULI, SBC, FIDIC</p> <p>Companies: CRBE, Oekom</p>
3	<p>Accepting International Conventions:</p> <p>Foundation of all sustainable definitions and actions (see chapter 2.1)</p>	<ul style="list-style-type: none"> • Universal Declaration of Human Rights • ILO Declarations • RIO 20+ 	UN GC, Round Table Codes of Conduct
4	<p>Working Integrity Measures/ Governance Monitoring:</p> <p>Mandatory Self-Checks or Auditing to ensure Integrity for the initiative and its participants</p>	<ul style="list-style-type: none"> • Reporting (COP) • Certification • Violation policies • Reciprocal protection • Disclosure of violations 	UN GC, ILO

The next paragraph will formulate the sector specific requirements that especially occur in the Real Estate and Construction Sector.

6.2.2. Real Estate sector-specific Requirements of Initiatives

A holistic approach involves the following requirements for an initiative:

Table 13 - Sector specific requirements

#	Requirement	Attributes	Exemplar Initiatives
1	Engagement in areas of the Global Compact: By covering four key areas of sustainability with its Ten Principles, the Global Compact integrates all aspects of sustainability: the participating companies represent the economical dimension.	<ul style="list-style-type: none"> All Areas 	IRPF, SASB, IRIS, econsense
		<ul style="list-style-type: none"> Human Rights 	BWI, HRW, BHR, BSCI
		<ul style="list-style-type: none"> Environment 	FIEC, ZIA
		<ul style="list-style-type: none"> Anti-Corruption 	GIACC, CoST
		<ul style="list-style-type: none"> Labour Rights 	FIEC, FIDIC, SL
2	Integration of all products of the Real Estate and Construction Sector: This industry branch integrates many products and markets for commercial and private customers and suppliers. To achieve the highest possible level of sustainability within companies, a world leading initiative for sustainable development like the Global Compact has to establish a holistic approach, including all participants. Also, the usage of new, sustainable products has to be facilitated.	Investment <ul style="list-style-type: none"> SRI ESG Valuation Ethical Investments 	GSIA, FNG, IMT Company: Sustainalytics, SDCL
		Construction & Maintenance <ul style="list-style-type: none"> Energy Efficient Buildings Use of non-hazardous materials Respecting workers' rights 	IMT, BBP, CPE, GBP, CICA, WBCSD-EEB, ECO-Platform, CSR Europe, E2B Company: Lend Lease, CRBE
		Lends/Leases <ul style="list-style-type: none"> Green Leases 	IRPF, BBP Company: Lend Lease
3	Integration of all stakeholders of the Real Estate Sector: This issue is essential to ensure a continuous flow of information, the coordination of upcoming measures and action plans, the synchronization of demand and supply and all other integrated issues. →Initiative is acting as a host	<ul style="list-style-type: none"> Private participants Landlords Realtors Local authorities Local society/community Investment groups Financial Institutes Workers/Contractors Other NGOs 	ZIA Sector Unspecific: Sustainability Round-table (Germany)
4	Implementation strategies for corporate governance: It is essential to give guidance how to introduce sustainability on all levels of a company and how to develop a company strategy for sustainability.	Providing sustainability models for all levels (see also chapter 3.2.1): <ul style="list-style-type: none"> CEOs Middle Management Employees Suppliers Supply Chain 	FIEC Unspecific: Econsence, WBCSD, sustainlabour Companies: CBRE

#	Requirement	Attributes	Exemplar Initiatives
5	<p>Supply of Tool Kits/ Guidance:</p> <p>Simplifying the integration of sustainability tasks inside a company and reducing resistances against the introduction; Providing help via local networks</p>	<ul style="list-style-type: none"> Monitoring systems Sustainability Reporting process Adaption of company strategy Employee Training Knowledge Transfer 	<p>Sector Specific: IRPF</p> <p>Sector Unspecific: IRIS, SASB, Arista, CSR Europe (UNGC member), econsense</p>
6	<p>Attention to regulation processes:</p> <p>Giving attention to regulatory developments is crucial to the success of an initiative, because these regulations set the standards and border the margin wherein the initiative can be active. But insufficient or imprecise regulations also show possibilities, where companies could act as role models for sustainable development, led by a private sector initiative.</p>	<p>By...</p> <ul style="list-style-type: none"> Supranational Organizations Governments Local authorities <p>Regarding...</p> <ul style="list-style-type: none"> Land-use plans Energy Efficiency Requirements Greenhouse gas emission restrictions Social Housing And other legal provisions 	<p>EPRA, FIEC</p> <p>Sector unspecific: Business Human Rights</p>
7	<p>Cooperation and coordination of campaigns:</p> <p>Essential to reduce misunderstandings, duplication of work and unnecessary competition. In addition, regular consulting of other groups helps to find best practices. Joint forces or strategic alliances (e.g. UN GC and GRI) also help to reach common sustainability goals.</p>	<p>With</p> <ul style="list-style-type: none"> Supranational Organizations Governments Local Authorities Worker Trade Unions Other initiatives 	<p>Round Table, CoST, GIACC</p>
8	<p>Rewarding System:</p> <p>Good governance and sustainable practices of companies should be rewarded to increase the competition and motivation between companies and also add a representative and recognizable component.</p>	<ul style="list-style-type: none"> Certification of products and production processes Competition between participants 	<p>DGNB, BREAA, LEED, Forum Ethibel, Eco-Platform</p> <p>Competition of sustainability Ratings: CRR</p>
9	<p>Geographical Focus:</p> <p>The Real Estate and Construction Sector has a great influence on the development of global (e.g. global warming) and regional challenges (use of land or biodiversity). An initiative has to have a clear focus.</p>	<ul style="list-style-type: none"> International Regional National 	<p>Int. Initiatives: IRPF</p> <p>Regional: CPE</p> <p>National: econsense</p>

The next paragraph sets the focus on company related prerequisites.

6.2.3. Company-related Requirements

Besides the internal requirements of an initiative that are crucial to the achievement of common sustainability goals, there also has to be the willingness of companies to join an initiative. But before they are able to join, companies have to do an internal check, to meet the following requirements (the categories below are also valid for other industrial sectors):

Table 14 - Company-related requirements

#	Requirement	Attributes
1	<p>Acceptance of the relevance of Sustainable issues:</p> <p>To enable voluntary action, the company has to realize the relevance of sustainability within the company's context at first. Hence, the need for guidance and thus initiatives originates (see also chapter 3.3).</p>	<ul style="list-style-type: none"> • CEO • Middle Management • Employees • Self-employed workers (realtors)
2	<p>Willingness to allocate Financial and Human Resources:</p> <p>The company has to allocate and/or increase financial and human resources for restructuring processes and sustainable investments.</p>	<p>Inter alia for the following purposes:</p> <ul style="list-style-type: none"> • Development of new products • Retrofitting of stocks • Training of relevant employees • Increasing social welfare of employees • Investment in sustainable buildings • Establishment of an sustainable monitoring process • Long term funding possibilities
3	<p>Accepting new risk-assessment methods:</p> <p>Sustainable investments payout on the long run, but reduce the risks of future payment defaults. This has to be recognized during the assessment of investments.</p>	<ul style="list-style-type: none"> • Equal assessment of standard and sustainable products <p>Possibly provided by initiatives:</p> <ul style="list-style-type: none"> • Tools to compare investments • Knowledge about the development of rents, financial assets and customer satisfaction
4	<p>Satisfying the demand to more sustainability:</p> <p>Growing demand due to "ESG sensitive" customers (private and governmental).</p>	<ul style="list-style-type: none"> • See chapter 3.2.2
5	<p>Acceptance of corporate private sector leadership:</p> <p>Being one of the first in implementing new sustainability targets and being role model</p>	<ul style="list-style-type: none"> • Sustainable Leadership • Role Model for competitors or possible governmental regulations • Pioneering spirit
6	<p>Willingness to put CSR objectives into practice to enable success in reaching sustainability targets</p> <p>Existing objectives have to be reconsidered, updated and put into practice.</p>	<ul style="list-style-type: none"> • Surveys show a lack between saying and doing (see chapter 4.2.2) • Willingness to accept help from existing best practice tool kits by initiatives • Setting realistic, but challenging targets

#	Requirement	Attributes
7	<p>Comprehensible decision process (which initiative to choose):</p> <p>The decision process has to be comprehensible, because joining an initiative could imply major changes to the company.</p>	<p>Prior assessment of criteria:</p> <ul style="list-style-type: none"> • Number of participants • Reputation of initiative • Voluntarism • Costs • Benefits (economic, social, environmental)
8	<p>Cooperativeness</p> <p>Companies have to have the will to cooperate with other stakeholders and companies.</p>	<ul style="list-style-type: none"> • Willingness for disclosure of own business practices

6.2.4. Ensuring success of Initiatives

An initiative is successful, if the self-set sustainability targets are reached by the initiative itself *and* its participants. These targets are often expressed in a vision and detailed in an initiative's mission. The qualitative characteristic of a mission is not suitable for being an indicator of success. But the contained targets can be quantified with the help of surveys (self-checks of companies), external audits (e.g. by a consultancy) or data from COPs, creating internal statistics. These statistics help to make predictions about the future development of the initiative and also show areas, where the work of the initiative has to be intensified. There are two aspects which are crucial for a private sector initiative: a stable growing number of participants and the thereby linked acceptance within the specific economic sector.

Promoting sustainability within the Real Estate Sector

As mentioned above, the success of the realization of sustainable targets by the help of a private sector initiative *inter alia* relies on the number of its participants. To attract potential new corporate participants, an initiative has to establish a strategy, ensuring the communication of the initiative's benefits among participants of the Real Estate and Construction Sector.

Table 15 - Promoting the initiative

#	Strategy	Description
1	Showing advantages of participation	<ul style="list-style-type: none"> • Simplified implementation of sustainability measures <ul style="list-style-type: none"> • Access to ESG policies • Best practices • Access Knowledge bases and platforms • Enabling of information exchange with stakeholders • Cooperation with other companies on sustainable targets • Offering sustainability assessment methods
2	Target group oriented Advertisement	<ul style="list-style-type: none"> • Direct addressing of companies in construction, investing, lending, financing and other stakeholders of the Real Estate sector • Stating current issues, trends and possible solutions

3	Awareness rising of sustainable targets	<p>Setting pressure on companies to implement sustainable issues in use of the following topics (inter alia):</p> <ul style="list-style-type: none"> • Environmental – Energy Efficiency in Buildings and improved health: <ul style="list-style-type: none"> • Less CO² and other Greenhouse gas emissions • Less usage of energy for lightning and heat • Reduced environmental risks • Economic: <ul style="list-style-type: none"> • Higher monetary benefits by sustainable investments • Cutting (future) costs • Reduced financial risks • Social: <ul style="list-style-type: none"> • Reputation benefits • Increasing customer satisfaction • Higher employee motivation due to workplace improvements • Upcoming regulatory standards: <ul style="list-style-type: none"> • Anticipating future workloads <p>→ Offering help, expert guidance and solutions to the issues above by private sector initiatives</p>
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There are several ways to realize the marketing measures stated above, depending on the financial and human resources of an initiative^{XLII}. If existing frameworks are available (as they are for the UN Global Compact), they have to be utilized and could lead to a cost effective and target group oriented approach.

Measuring Success and Acceptance within the Real Estate Sector

The assessment of an initiatives success and hence, its acceptance in a certain industrial sector can be realized by monitoring certain performance indicators, which will be developed in the following paragraph^{XLIII}. The developed indicators will be taken into account during the evaluation of initiatives in the next chapter (with a basic investigation of success)

^{XLII} The necessary, detailed analysis of the immediate environment of an initiative to develop a specific marketing strategy is not part of this thesis.

^{XLIII} **Important remark:** The focus of this thesis is on the analysis on practices of other initiatives within the Real Estate sector leading to recommendations for an *UN Global Compact specific approach*. This thesis will not question the approach and concept of the UN Global Compact.

The author identified the following strategies to gather relevant information and establish key performance indicators:

Table 16 - Practices to measure acceptance and success

#	Practice	Description
1	Monitor number of Participants	<ul style="list-style-type: none"> • Enabling quick up-to-date checks • Growth Rate • Number of companies leaving
2	Establishing an analytical framework^{XLIV}.	<ul style="list-style-type: none"> • Enabling historical checks • Take a long time to establish
3	Investigation of participants sustainability reports	<ul style="list-style-type: none"> • Checks from external agencies possible • Comparison to initiatives goals
4	Check of Communications on Process (COP)	<ul style="list-style-type: none"> • Internal checks if companies are able to reach common targets

In addition to the practices mentioned above, *Sethi and Schepers (2013)*, state the following eight pre-conditions to “ensure a higher level effectiveness and public credibility of different types of voluntary codes” [61]:

1. *“The code must be substantive in addressing broad areas of public concern pertaining to industry’s conduct.*
2. *Code principles or standards must be specific in addressing issues embodied in those principles.*
3. *Code performance standards must be realistic in the context of industry’s financial strength and competitive environment. The industry should not make exaggerated promises or claim implausible achievements.*
4. *Member companies must create an effective internal implementation system to ensure effective code compliance.*
5. *Code compliance must be an integral part of a management performance evaluation and reward system.*
6. *The industry must create an independent governance structure that is not controlled by the executives of the member companies.*

^{XLIV} A detailed evaluation of success of every initiative would require further investigation and the creation of an analytical framework per initiative. The author will investigate the initiatives found according to the categories established in this thesis.

7. *There must be an independent external monitoring and compliance verification system to engender public trust and credibility in the industry's claims of performance.*
8. *There should be a maximum transparency and verifiable disclosure of industry's performance to the public. Standards of performance disclosure should be the sole province of the code's governing board"* [61]

These conditions add up to the ones established before in chapter 6.2.1 and following, underlining the importance of independent integrity and compliance checks. In addition, codes of conducts have to be addressing specific issues and problems in the industry's field, which shall be solved by a cooperative approach. The initiatives found are now evaluated according to the requirements of a holistic approach, stated in the chapters before and above.

6.3. Evaluation of Initiatives

To analyze and investigate the differences between the realizations of an initiative's way to sustainable development, the following initiatives will be investigated and compared to the Global Compact. To begin with, the basic characteristics of the initiatives will be evaluated, followed by sector specific values^{XLV}.

6.3.1. European Construction Industry Federation (FIEC)

Description

The *European Construction Industry Federation* (FIEC) represents the interests of construction enterprises through its national member federations in Europe. Its mission involves *promoting* sustainable development in the construction sector regarding the environment, energy efficiency and biodiversity. By cooperating with other partners (e.g. trade unions) sustainable practices for construction workers shall be established. In addition, best practices are to be shared among members and other participants of the sector. The initiative's mission does not demand sustainable behavior or the promotion of sustainable development by its members (see the appendix for a detailed listing).

^{XLV} Due to large number of initiatives found, the author will exemplarily evaluate five initiatives in detail within this thesis according to the criteria developed in the chapters before. The evaluated initiatives will cover activities in all areas of the Global Compact and so, will show examples of good practices in the fields of labour and workers' rights (*FIEC*), investments (*ZIA*), anti-corruption (*CoST*), property rights and realtor training (*IRPF*) and energy efficiency (*BBP*).

So, the clear focus lies on representation and promotion of interests of the European construction sector. The initiative is active in all construction areas, but the main activities are to be found in the non-residential area, followed by rehabilitation and maintenance [209]. Currently, the FIEC has 33 member institution in 29 countries (Europe, including Turkey).

Codes of Conduct

The initiatives found during the worldwide investigation had different approaches to include corporate sustainability goals into the businesses of participants. One way is to establish codes of conducts, which are approved by all participants and could act as the foundation of the whole initiative.

FIEC has released principles for sustainability for the construction sector in 2005 (which should have been revised in 2013 [210]). These principles are to be implemented on a voluntary basis by construction companies and were signed by the representatives of the member associations. The principles cover important areas of sustainable development within the Real Estate sector (please see the annex for a full list):

1. Stakeholder/community relations (also promoting transparency and reporting)
2. The Connection between Economic and ESG targets
3. Equal treatment of workers and continuous training, health and safety improvements
4. Environmental Management strategies during construction

The codes of conduct do not specifically cover measures to improve Human Rights conditions or in fighting against corruption. FIEC is currently working on a new reference document which defines sustainability from a constructors' view, including inter alia waste and water management. The document also outlines the following recommendations:

1. *“Dialogue between the Sector and the European Commission*
2. *Construction of buildings and infrastructure to stimulate economic growth*
3. *Renovation Europe’s ageing building stock*
4. *Transition to renewable energy production and adaptation of energy infrastructure*
5. *Development of resource efficient construction*
6. *Public procurement fostering sustainable construction*
7. *Implementation of fair risk-and-reward-sharing*
8. *Consolidation of regulatory framework*
9. *Maintaining health and safety for workers*
10. *Developing skills for sustainability”*

Taking these as newly planned recommendations and combining them with the existing principles for a sustainable development, a comprehensive, sector-specific approach will be created, regarding constructional issues.

Acceptance of International Conventions

The FIEC federation has a close look on new regulations issued by the European Commission to release position papers and recommendations. But there were no references found how and if FIEC implements and respects international conventions.

Monitoring and Integrity Measures

According to the investigations, FIEC does neither clearly state its integrity measures, nor how the implementation of the principles of sustainability are to be monitored. The publishing and disclosure of important internal documents on the website could be seen as the only transparency measure.

Engagement in Global Compact Areas

FIEC is active in the Environmental and Labour area. These areas are represented by *Working Groups* that are subordinated under three *Commissions*: the *Economic and Legal Commission* (Infrastructure and Law), the *Social Commission* (Training, Health and Safety, Economic and Social Aspects of Employment) and the *Technical Commission* (Standards and Directives, Research Development and Innovation, Environment). *Temporary Working Groups* are supporting the Commissions' work on actual topics (currently "*Waste*" and "*Energy Networks*") [211].

No indicators could be identified during the investigation, showing greater recent activities in the areas of Human Rights. But there has been a working group on "*Business ethics within the Construction sector*", but it is currently inactive [212]. The working group has released – together with the partner initiative *European International Contractors* (EIC) – the *joint statement "FIEC/EIC Statement on Corruption Prevention in the Construction Industry"* in 2009 [213]. They describe corruption as an "*unacceptable phenomenon in national and international business transactions*" [213]. The statement formulates the following key recommendations:

1. Establishment of Codes of Conduct for every company in the private sector
2. Establishment of "*Client's/Authorities Codes of Ethics*"
3. Independence of Consulting Engineers
4. Funding Agencies shall "*assume their responsibilities*" during a project and "*maintain full-scale supervision or audit*".

The statement neither gives guidance nor shows steps how to introduce a working Anti-Corruption policy system. It demands “*positive leadership*” from governments, public clients and funding agencies and calls for a “*serious dialogue*”.

In its 2013 annual report [210], FIEC states the following main issues which lead the way of activities in the environmental area:

1. Revising the principles of sustainability for the construction sector
2. Building a Low Carbon Economy
3. Resource efficiency in society
4. European Committee for Standardization (CEN) relations to the construction sector

The social commission for labour rights has worked in areas of risk prevention for workers, specialized trainings for workers in regard of renewable energy systems for Real Estates and social partnerships. Together with the *European Construction Forum* (ECF), a platform for co-operation and joint action for organizations and stakeholders of the construction sector in Europe, the FIEC released the following “*manifesto for action*” regarding sustainability issues.

Table 17 - Manifesto for action for EU policy makers [210]

What the construction sector can offer	Decisions EU policymakers should take
<p>Care for the environment</p> <ul style="list-style-type: none"> • Improvements in resource use and energy efficiency • Contribution to energy and transport infrastructure 	<p>Drive coherent environmental policy</p> <ul style="list-style-type: none"> • Ensure coherence and integration between environmental policy and policies to foster growth in industry • Strong focus on upgrading buildings’ energy and environmental performance • Set appropriate frameworks for recycling and waste-management
<p>Responding to social needs</p> <ul style="list-style-type: none"> • Engagement towards a quality and safe built environment, adapted to demographic and social challenges • Solutions for affordable housing • Resilient construction for adaption to climate change 	<p>Develop a sustainable housing policy</p> <ul style="list-style-type: none"> • Design planning and permit systems that facilitate new development (EU should benchmark different regional planning systems) • Facilitate access to credit for investment in affordable housing • Allow for measured and proportionate fiscal incentives for construction and renovation of dwellings

The manifesto should be input for the European Commission and the governments of member states in regard of policy making in the Construction sector. Main target of this ECF manifesto is the establishment of “*a single comprehensive policy approach for the European construction sector*”. But as annotated before, the initiative does not state steps how to reach the targets mentioned in the table above in detail and only states recommendations for an implementation strategy.

Integration of sector-specific Products

The focus of the FIEC initiatives clearly lies on the construction of buildings and all related issues. The proposed measures have to be seen from a constructors or contractors perspective and point of view. The initiative does not strongly regard the promotion of sustainable investments or other financial products (it basically supports investments in the construction sector).

Integration of Stakeholders

FIEC integrates important stakeholders of the construction sector by its cooperation, e.g. with the *European Federation of Building and Wood Workers* (EFBWW) and the EIC. It also enables a social dialogue between workers and their employers, especially for *Small and Medium Enterprises* (SME). Policy makers are also integrated on the basis of sectorial meetings and conferences.

On the other hand, FIEC's activities do not include the society itself, namely the local communities, residents or lessees. In addition, Real Estate Investment companies are also not addressed.

Implementation Strategies and Guidance Materials

The aforementioned lack of implementation strategies does not apply for the health and safety of workers. In 2012, the FIEC released a guide in cooperation with the EFBWW how to develop and implement a health and safety management system “*for companies of all sizes*” [214]. Other releases are information materials regarding the treatment of asbestos [215].

Regulation Attention

FIEC monitors new regulations and directives by the European Union and other authorities and releases statements (often in coordination with its partners).

Coordination and Cooperation

The FIEC holds partnerships to several other initiatives (inter alia):

- Comité Européen de Normalisation (CEN)
- Confederation of International Contractors' Associations (CICA)
- European International Contractors (EIC): Recently joined the Construction Sector Transparency Initiative (CoST)
- Build UP (European Portal for Energy Efficiency in Building)

Rewarding and Certification Systems

No rewarding or certification systems were found during the investigation.

Recent Activities

Besides the ongoing projects and activities in the working groups, the initiative is active in the following project: *Product InfoX: Collection and Usage of construction product information*.

Conclusion

The European Construction Industry Federation (FIEC) is a primary representative organization with a wide network involving national construction industry representative bodies and initiatives. It puts great attention on regulatory issues and releases statements and proposes new strategies to regulatory bodies, like the European Commission (EC). The initiative's working group on business ethics has released a code of conduct for sustainable development and a statement against corruption within the construction sector, but it misses out to release binding strategies for its participants. Also, the only existing guideline is how to implement a health and safety management system. The initiative should put its focus on the monitoring of the realization of its recommendations, otherwise there will not be sufficient progress to sustainable development.

6.3.2. German Property Federation (ZIA)

Description

The German Property Federation represents the interests of German Real Estate Companies, including Investment companies. The federation also acts as a lobby group against regulatory institutions like the European Union. It is part of the German industry interest group *BDI* ("*Bundverband der deutschen Industrie*"). One key goal of the group is to "*improve the image of Real Estate companies*" [216].

Codes of Conduct

ZIA released a wide-ranged guidebook for sustainability: "*Sustainability – Code, Reports and Compliance*" [76] in its 3rd edition in 2013. It defines important aspects of sustainability in the context of all participants of the Real Estate sector (see also chapter 3.2.1), from an industry's point of view. Besides company related issues of sustainability (energy efficient building of properties), ZIA's code of conduct also includes other stakeholders like the society and other NGOs.

Companies are free to sign the “*Sustainability Code for the Real Estate Industry*”, which consists of universal codes for all participants of the Real Estate Industry and also participant-specific (“*cluster*”) codes [76]. The universal codes are as following:

1. *“We are aware of the real estate industry’s significance for sustainable growth and we accept the social responsibility this implies.*
2. *The principles of sustainability are an integral part of our company’s value systems, strategies and structures.*
3. *When defining and pursuing our short-, medium- and long-term goals we use sustainability principles as our guideline.*
4. *Sustainability principles are taken into account in product and service development and they influence our selection of business partners.*
5. *Our staff recruitment, development, continued training and leadership are guided by the principles of sustainability.*
6. *We actively integrate our employees in our sustainability efforts and seek to win them for the cause.*
7. *We aim to exceed the statutory minimum requirements, achieve continuous improvements, and thereby set an example.*
8. *We publish our goals, measures, activities, and progress annually in sustainability reports and in our statements of account. [...].*
9. *In order to permit an industry-wide measurability of sustainability measures and to create transparency, we make the required information available to the public [...].*
10. *By positioning ourselves as sustainable companies, we help to propagate adherence to the principles of sustainability inside and outside the real estate economy.”*

Companies that sign the codex have to apply to the points above and also to their cluster-specific ones (please see the appendix).

Acceptance of International Conventions

There was no information found how ZIA respects the international conventions on the environment, Human and Labour rights (as mentioned in chapter 2.1). ZIA only states that its cods for sustainability comply with “*international best practices standards*”, not mentioning any further details.

Monitoring and Integrity Measures

ZIA gives recommendations about the disclosure of business practices via sustainability reports, utilizing the *CRESS (Construction and Real Estate Sector Supplement)* framework of the *Global Reporting Initiative* with own additions. There were no measures found how and if

the implementation and the commitment to ZIA's own principles of sustainability are monitored. There are no mandatory *Communications on Progress* rules or similar measures. However, ZIA is partnering with the “*Initiative Corporate Governance in the German Real Estate Business*” (ICG) [217], to develop guidelines for compliance management (“*Duties Record Book*”). Participants of the ICG have to fulfill the requirements stated in the book and are being audited by external entities. If the audit is successful, a participant becomes a “*certified member*” of ICG.

Engagement in Global Compact Areas

ZIA shows the willingness for engagement in the areas of energy efficiency (environment) through the commitments in the mentioned codes of sustainability. In addition, the training of employees is part of the codes. Hence, conceptual-only activities in the UN Global Compact areas Environment and Labour can be stated.

Integration of sector-specific Products

ZIA integrates all important products of the Real Estate Sector in its codes of sustainability. However, the association's operative main activities are in regard of Real Estate investments: For instance, ZIA has established a database about Real Estate transactions on the German market [218].

Integration of Stakeholders

ZIA formally integrates all important stakeholders of the Real Estate sector by its code for sustainability. However, the participant structure is dominated by medium to large enterprises, leaving out e.g. small construction companies or local society interest groups. ZIA's “*Council for sustainability*” consists of representatives of Real Estate Investment companies, leaving out construction companies or the demand side.

On the other side, ZIA acts as a host of specialist conferences, e.g. the “*Day of the Real Estate Industry*” in May 2014 [219], also integrating political stakeholders and the society. But the focus still stays on an investor's point of view.

Implementation Strategies and Guidance Materials

Within its sustainability codes, ZIA states the following recommendations to its members and all other Real Estate companies:

- Adopting the associations' codes of sustainability
- Establishing a system for disclosure by compiling sustainability reports

ZIA also recommends to integrate the reporting principles of the *Global Reporting Initiative*, which is a strategic partner of the UN Global Compact. There are also other guidance materials available on specific topics, for instance on citizens' participation and new regulations by EU or federal authorities.

Regulation Attention

ZIA puts strong attention on regulatory measures and trends on a German and European level.

Coordination and Cooperation

ZIA is part of the *European Real Estate Forum* [220], an alliance of national and international Real Estate organizations that puts its attention on the coordination of activities of its members regarding institutional investments and related policies.

Rewarding and Certification Systems

No rewarding or certification systems were found that would state the acceptance of ZIA's codes of sustainability, but certifications are possible via the partnering ICG initiative.

Conclusion

ZIA's approach to sustainability is shown by its codes of sustainability. These codes demand from their signees to integrate all important stakeholders from the Real Estate industry, the society and politics in their business. The code is clearly written from an industry's point of view, but it explicitly points out the relevance of mutual coordination between a company's stakeholders in a Real Estate construction, investment or other project. The approach to create, in addition to ten universally valid codes, company-specific clusters with additional voluntary commitments, shows a good practice how to establish a holistic approach to codes for sustainable development in the Real Estate Sector.

On the other hand, ZIA misses out to establish working COPs about the application and implementation of its codes by members of the Real Estate industry. There were no figures found how many companies have adapted these codes. Also, there are no guidance materials or tool kits available how to implement these standards into a company's business processes. Especially for small to medium-sized enterprises, guidance is critical to a successful implementation of a sustainable business approach. By offering more guidance to SMEs, monitoring the progress on the implementation of the codex and also establishing a closer reference of ZIA's codes of sustainability to international declarations on sustainable development, the approach could lead to a model of a holistic sustainable concept.

6.3.3. Construction Sector Transparency Initiative (CoST)

Description

The *Construction Sector Transparency Initiative's* (CoST) primary goal is to increase the transparency of public construction projects: The society should get access to all relevant information to evaluate the need and the costs of construction projects. The voluntary international initiative is active in developing and developed countries all around the world. By a multi-stakeholder concept, it wants to integrate governmental entities, private sector companies and society into the infrastructure construction process. By enabling more transparency, the initiative also wants to improve the results and outcomes of a public infrastructure project [174].

The initiative started with a pilot project in eight countries for a three year period in 2008. According to CoST, key data could be disclosed with remarkably small investments, if “*key players*” had given their commitments [221]. Today, the initiative supports the so called national “*CoST-programs*” with technical and financial help. The figure below illustrates how the program should work and which implications it implies:

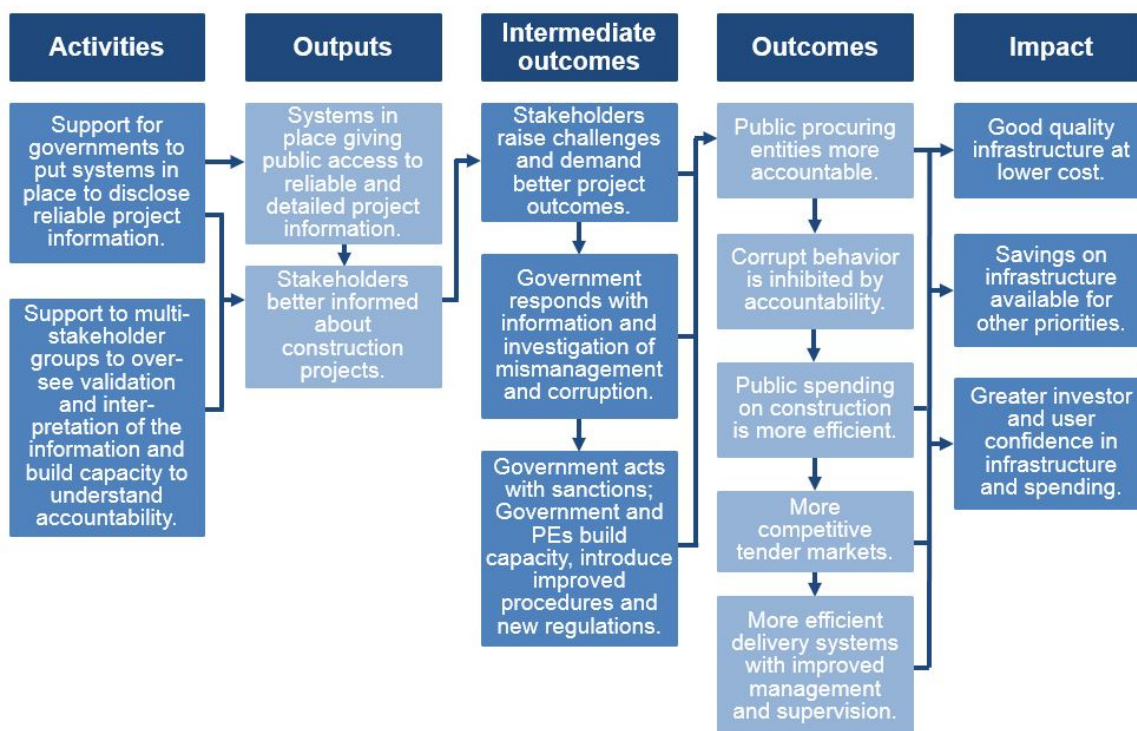


Figure 22 - CoST program [221]

The CoST initiative’s focus does not directly lie on the reduction of corruption in the Real Estate property sector but on infrastructural projects. Nevertheless, the CoST initiative shows a valuable approach, how to develop transparent structures in the context of public infrastructure investments.

Codes of Conduct

The initiative states the following principles, which “*reflect a shared stakeholder commitment to transparency and accountability*” in regard of increasing transparency and measures against corruption [222]:

- **“Governments are responsible for providing reliable, safe infrastructure**
Public sector infrastructure should support sustainable economic growth and development. Mismanagement or corruption in construction undermines social and economic benefits.
- **Governments should be accountable**
Citizens have a right to know that their money is being used wisely. Public construction projects should be sufficiently transparent for government to be held accountable.
- **Transparency improves governance**
Public disclosure of information during the project cycle can provide an effective way to improve value for money in construction by reducing opportunities for corruption and increasing scrutiny.
- **Transparency promotes investor confidence**
Transparency in the management of construction projects is likely to increase domestic and foreign direct investment.
- **Multi-stakeholder cooperation reflects shared interest and responsibility**
Multi-stakeholder working between the public and private sectors and civil society improves transparency and builds confidence that all points of view are being taken into account.”

CoST also names three features that are essential to the success of the initiative and its programs [223]:

- **Proactive/reactive disclosure** (promoting transparency)
- **Assurance** (assessing credibility of results)
- **Multi-stakeholder approach** (government, private sector, civil society)

Acceptance of International Conventions

There was no evidence found how international conventions influence the work of CoST.

Monitoring and Integrity Measures

During the three-year pilot project, the initiative identified and disclosed the following aspects regarding “*mismanagement throughout the project cycle*”:

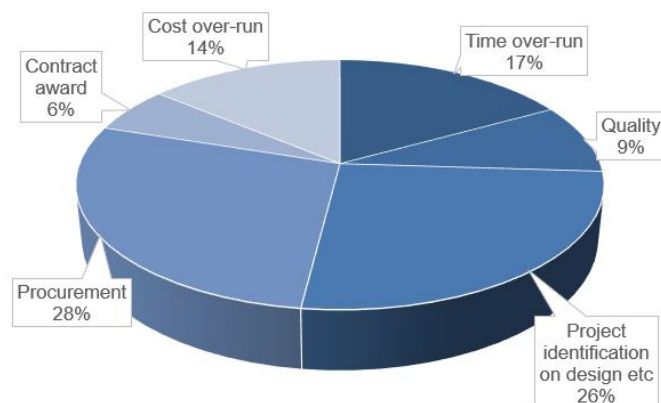


Figure 23 - Identified inefficiency and mismanagement [221]

The initiative is based on the establishment of functioning disclosure processes that gather valid information about a public infrastructure project and make it available to as many stakeholders as possible. Therefore, the national CoST programs are led by multi-stakeholder groups (MSG) with stakeholders from governments, companies and the society. This ensures that all relevant parties are having access to disclosed data. An independent “*assurance team*” is being appointed by the MSG. The team monitors and tracks progresses, results are being evaluated in periodic reports.

Regarding the governance structure of the initiative itself, transparency is also very important. Thus, the direction of the CoST program, the *CoST Board*, is elected by a *delegate assembly*, which largely consists of representatives of participating countries.

All important outcomes and lessons learned from the piloting period are published on the initiative’s website.

Engagement in Global Compact Areas

The CoST initiative is active in one area of the Global Compact: Anti-Corruption.

Integration of sector-specific Products

Two sector specific products fall under the attention of the initiative: Infrastructure construction projects and their related investments.

Integration of Stakeholders

By its multi-stakeholder group concept, CoST ensures that all important stakeholders are involved in the transparency and disclosure process.

Implementation Strategies and Guidance Materials

The initiative provides guidance materials to every step of the introduction process of a national CoST program. The following guidance materials are available (i.a.) [224]:

- *Joining CoST*
- *Development of an Implementation Plan*
- *Establishing a MSG and a National Secretariat*
- *Designing of a Disclosure/Assessment Process*

In addition, the initiative's *International Secretariat* provides more "information, templates and examples", its website says [224].

Regulation Attention

The CoST program draws great attention to national regulations during disclosure/assurance processes. According to its own statements, the initiative "seeks to complement rather than replace a country's supervision" [174].

Coordination and Cooperation

The initiative gets support by political institutions (the *UK House of Commons*^{XLVI}) and international economic groups like the *G20 major economies*^{XLVII}. In their final declaration of the 2011 *G20 Summit* in Cannes, the member states acknowledged to support the CoST-initiative (article 87) [226]. In addition, the initiative is being endorsed and supported by other NGOs, initiatives and civil society organizations like the *UK Anti-Corruption Forum* or *Transparency International*. Members of these organizations are advisors to the CoST International Secretariat or national MSGs. Private sector support is given by institutions like *European International Contractors* (EIC, the strategic partner of *FIEC*) and the *International Federation of Consulting Engineers* (FIDIC) [227].

Rewarding and Certification Systems

No evidence of a rewarding or certification system was found.

^{XLVI} One part of United Kingdom's legislative elements of the *Crown-in-Parliament*.

^{XLVII} The *G20 group* consists of representatives of the 20 major economies around the world. Primary goal is the cooperation and coordination of financial and economic issues to ensure the stability and growth of the worldwide markets [225].

Conclusion

The Construction Sector Transparency Initiative does indeed not show ways to a holistic approach for sustainable development in the Real Estate sector, but it offers ways how to increase the transparency of construction projects and therefore reducing corruption in developing and also developed countries. By the implementation of self-checking and monitoring processes and the creation of multi-stakeholder groups, the disclosure of data and the project management could be improved, even with low financial efforts. The success of the CoST program is underlined by the three year pilot project, which shows a good practice how to evaluate and revise a planned concept.

Another point is that the initiative is less influenced by big companies who could act as founders. Through the integration of representatives of other NGOs as advisors in steering committees and through a secretariat, which is legitimated by democratic structures, CoST follows an approach which could be a model for other initiatives.

6.3.4. International Real Property Foundation (IRPF)

Description

The *International Real Property Foundation's* (IRPF) primary goal is to support Real Estate professionals in the fields of brokerage, valuation and property management with the help of newly established local networks or national organizations and special Real Estate professional trainings. By this approach, an *“ethical and trained Real Estate profession”* shall be established and as a result, *“free, efficient, transparent and equitable Real Estate markets”* shall be created [228]. In addition, the right of having own private property shall be realizable. This also involves the training and education of governments and academic personal. The IRPF claims itself as an institution that sets standards in regard of Real Estate market assessment, identification of market needs, creation of *“self-sustaining”* organizations and delivering of proven solutions to Real Estate market demands [229].

Together with the *Center for International Private Enterprise* (CIPE), the initiative has released the *International Property Markets Scorecard*. With the help of the scorecard, market analysts are able to gain the knowledge to evaluate market risks for a sustainable market investment [230]. In addition, the scorecard gives stakeholders an overview about the following topics: *“property rights, access to credit, effective governance, rational dispute resolution, financial transparency and appropriate regulation”*. So, the scorecard consists of qualitative and quantitative aspects. The required data originates from partner initiatives' surveys or *“established international economic development organizations”* [231].

Codes of Conduct

As a result of the development programs by the IRPF, the initiative states the following “*competencies and characteristics*” which have to be fulfilled by the established Real Estate Sector associations:

- *“Executives and staffs develop adequate management capacity*
- *Achievement of financial independence*
- *Standards of the Real Estate profession are established and elevated*
- *Implementation of effective membership development and recruitment programs*
- *Providing value added services to members*
- *Property market data is aggregated, analyzed and shared among association members*
- *Effective advocating for the interests of the profession*
- *Members of the associations develop international contacts and relationships” [232]*

The non-binding attributes described above are complemented by a *Code of Ethics* for Real Estate professionals. The detailed content of this codex could not be investigated^{XLVIII}. In addition to the suggestion for the behavior of Real Estate associations, the *International Property Markets Scorecard* combines six aspects of a sustainable and transparent Real Estate market with specific sub-categories to get a comprehensive overview (please see the appendix for a complete listing):

1. Property Rights
2. Access to credit
3. Effective Governance
4. Rational Dispute Resolution
5. Financial Transparency
6. Appropriate Regulation

With the help of the scorecard, whose approach is described in detail through guidebooks for every aspect, civil society and development organizations shall be supported in the evaluation of property markets [233]. The scorecard could also be used to keep track of newly implemented strategies for sustainable market development. The initiative has published reports about property markets of developing countries on the basis of the scorecard on its website^{XLIX}.

^{XLVIII} Remark: Access is only available to members of the program (27.03.2014).

^{XLIX} Available from <http://www.irpf.org/resource/score-card-reports2>, access is also only available to members (27.03.2014)

Acceptance of International Conventions

There was no evidence found how international conventions are noted in the work of the initiative.

Monitoring and Integrity Measures

Although the initiative consequently supports all newly created associations during all development phases and thus also monitors the progress to a certain extent, there was no evidence found how the integrity of the initiatives is checked.

Engagement in Global Compact Areas

Through its engagement in the Real Estate markets for property rights, business ethics and governmental and realtor training, the initiative shows sector-specific engagement in the UN Global Compact areas of Anti-Corruption and Labour Rights.

Integration of sector-specific Products

The initiative's intention is to sustainably improve the skills and the business behavior of realtors in developing countries. Therefore, no specific physical product is being integrated in the initiative's work, but services by realtors, which play an essential part in connecting the supply and demand side.

Integration of Stakeholders

The initiative specifically integrates one group of participants of the Real Estate business: the realtors. Governmental institutions and educational facilities are integrated for the establishment of training courses and mutual assistance.

Implementation Strategies and Guidance Materials

IRPF has developed three phases which all have specified programs for the development of Real Estate associations. Before the first phase starts, the initiative undertakes the market a complete assessment.

1. Association Formation and Organization
2. Association Development
3. Association Maturity and Self Sustainability [232]

There are guidance materials available on diverse topics of the realtor business, for instance about leadership, business ethics, sales and resources and licensing.

Regulation Attention

During the creation of national Real Estate associations, the initiative sets attention on existing market and Real Estate-related regulations of the concerning country, which have to be fulfilled by realtors and other market participants. Through the International Property Markets Scorecard, it also helps to identify potential lacks of regulations by governments.

Coordination and Cooperation

The US-based foundation assesses Real Estate markets prior to the establishment of sector associations with the help of professionals from the US and other countries. Therefore, it is working together with US realtor organizations and companies. It also cooperates with other non-profit organizations like *CIPE* and *Volunteers for Economic Growth Alliance (VEGA)* to realize its projects in developing economies around the world [234].

Rewarding and Certification Systems

There were no rewarding or certification systems found for trained realtors. However, the initiative gives inputs how to establish a licensing system for realtors.

Conclusion

The *International Real Property Foundation* sets attention on the important group of realtors in the Real Estate business. To establish ethical standards and ensure skilled and educated agents, the initiatives supports developing countries in the creation of private sector associations. This shows a way how to develop sustainable standards within a very heterogeneous group of participants of the Real Estate sector. Often self-employed, this group does mostly not speak with a common voice, if there are no representing structures. The *International Property Markets Scorecard (IPMS)* offers a possibility to all Real Estate sector participants to investigate a market's performance and to enable a sustainable approach for reforms or investments.

On the other hand, the initiative leaves out the possibility of utilizing common standards for sustainable development like the UN Global Compact during the establishment of national Real Estate associations. This strategy would also include sustainable environmental aspects into business practices of participating realtor companies. In addition, the IPMS is also leaving out this fact during its market evaluation process. Furthermore, the integration of civil society groups during the establishment process of realtor associations could also improve the connection and experience exchange between the demand and supply side and would create a more sustainable approach.

6.3.5. Better Buildings Partnership (BBP)

Description

This United Kingdom (UK) based initiative wants to increase the sustainable performance of commercial buildings with the help of sector-wide collaboration of “*leading commercial property owners*” [235]. The initiative mainly consists of company members, but integrates also other organizations like the *UK Green Building Council* and municipal authorities like the Mayor of London. The partnership’s workflows are divided between five working groups [236]:

1. Green Leases Working Group
2. Sustainability Benchmarking Working Group
3. Sustainable Retrofit Working Group
4. Property Agents (realtors) Working Group
5. Owner and Occupier Working Group

Every workgroup has released specialized tool-kits since the initiative’s launch in December 2007. So, the main objective is to support commercial landlords in improving their building stock to more sustainability and at the same time, rising the understanding of occupiers.

Codes of Conduct

The initiative does not have defined codes of conducts for its participants. However, all participants have recognized the importance of sustainability for the Real Estate sector and their businesses (also see chapter 6.2.3 for company related requirements) prior to joining the partnership. In addition, every working workgroup has developed specified tool-kits which include suggestions for sustainable management practices and sustainability benchmarking of commercial buildings. To increase the appreciation of corporate occupiers in regard of investments for sustainable development, the initiative proposes a “*Memorandum of Understanding*” between landlords and occupiers on basis of green lease clauses, which contain the following aspects:

- “*Understanding of the energy performance of buildings via a robust benchmarking process*”
- “*Understanding of the financial models available to make the building improvements viable for both parties*”
- “*Understanding of the role of managing agents in building in sustainability*”
- “*Understanding of how sustainability affects valuation issues in commercial property*” [237]

Acceptance of International Conventions

No evidence was found how BBP integrates international conventions on sustainability.

Monitoring and Integrity Measures

There are no monitoring systems established by the initiative.

Engagement in Global Compact Areas

The major actions of the initiative regard the environment, because buildings' energy efficiency and thereby connected measures are the key concerns. The training and sensitization of Real Estate agents in terms of sustainable practices is also in attention of the initiative, because realtors have to deal with the growing influence of sustainable aspects on owners and occupants.

Integration of sector-specific Products

The initiative integrates important aspects of the management and lease of commercial buildings. In addition, it offers strategies for the sustainable retrofitting of energy inefficient buildings.

Integration of Stakeholders

The Better Buildings Partnership primary integrates business members from the private Real Estate sector. It freely provides best-practices for owners, occupiers and realtors.

Implementation Strategies and Guidance Materials

As mentioned before, the initiative provides a wide variety of tool-kits and guidance materials for inter alia green leases, sustainability benchmarking, energy metering, transactional agents and green building management⁴. BBP even provides free interactive applications for tablet-PCs to visualize the initiative's findings, case studies and found best practices.

Regulation Attention

No clear evidence was found how BBP includes existing regulations into its tool-kits, but attention is given to market-established certification systems (here: *BREEAM*) [238].

⁴ The full list of tool-kits is available at <http://www.betterbuildingspartnership.co.uk/media/toolkits/> .

Cooperation of Campaigns

BBP is part of the *Green Property Alliance* (GPA), an initiative that consists of organizations for sustainability in the Real Estate sector and seeks to improve the collaboration between its members to “avoid duplicating existing work [...] and promote best practices”. The alliance members all have “an interest in sustainable development, ownership and occupation of commercial property”[239]. In addition, BBP is working together with the *Urban Land Institute* (ULI) on basis of the “*Greenprint Foundation*” since January 2011. The foundation’s goal is to coordinate actions to reduce carbon emissions.

Rewarding and Certification Systems

BBP does not issue own rewarding or certification systems. It supports existing measuring and certification systems for energy efficiency (e.g. BREEAM).

Conclusion

The Better Buildings Partnership (BBP) offers a variety of tool-kits and best practice approaches to its members and the public regarding the sustainable management of commercial properties. The initiative’s focus clearly lies on the cooperation between landlords and corporate occupiers from London and the UK and so, is far away from a holistic approach. However, the issued tool-kits are a valuable input for realtors and other property management firms in achieving a higher sustainable performance. On the other hand, it could not be investigated how many companies are using the freely offered implementation strategies. Nevertheless, the modern tablet-PC application based approach shows a way, how knowledge could be vividly transferred by the use of new technologies.

6.3.6. Aggregation of Results

To visualize and compare the results of the five initiatives investigated before, the findings are now evaluated with the help of a scoring system. For every category (according to the ones defined in chapter 6.2.2), points will be issued from zero to five, according to the grade of fulfillment. The categories themselves are also measured with a certain factor (from one to ten) corresponding to their importance for a sustainable development of companies in the Real Estate sector. The assessment of the importance of every evaluation category is based on the general findings of the worldwide investigation, which showed lacks of initiatives in certain areas of the Global Compact (chapter 5.2.3).

The final result per initiative is then being calculated by multiplying the received points per column with its specific percentage and adding all values together.

Table 18 - Aggregation of results

<i>Attribute^{LI}</i>	<i>Rat- ing</i>	FIEC	ZIA	CoST	IRPF	BBP
Codes of Conduct	8^{LII}	3^{LIII}	5	3	3	2
Acceptance of international Conventions	4	0	0	0	0	0
Integrity measures	5	1	1	3	0	0
<i>Engagement in areas of the Global Compact^{LIV}</i>						
Human Rights	10	1	0	0	2	0
Environment	4	3	4	0	0	3
Anti-Corruption	7	0	0	5	1	0
Labour Rights	6	4	2	0	3	0
<i>Integration of products of the Real Estate Sector</i>						
Investments	6	0	4	2	0	1
Construction/Maintenance	8	4	4	4	2	3
Lends/Leases	7	0	4	0	0	3
Integration of stakeholders	4	3	3	4	1	1
Implementation strategies	8	1	2	3	3	3
Supply of Tool Kits/ Guidance Materials	8	1	1	3	3	5
Attention to regulation processes	4	4	4	2	2	1
Cooperation and coordination	6	4	2	2	3	3
Rewarding System	3	0	2	0	1	1
Geographical Focus^{LV}	5	4	2	5	5	2
Result^{LVI}		195	237	227	191	182

^{LI} Attributes according to chapter 6.2.2

^{LII} Importance of the specific category is rated from one to ten (Higher is better)

^{LIII} Each attribute of every initiative is ranked according to its fulfillment in comparison to the other initiatives on a scale from zero to five (higher is better=

^{LIV} Human Rights is ranked highest due to the lack of initiatives in this area

^{LV} Zero = Local; 1 = regional; 2 = national; 3 = bilateral; 4 = international; 5 = worldwide

^{LVI} Result = RatingA1*ValueA1+...+RatingQ1*ValueQ1; A..Q = lines; 1 to 5 = initiatives

The result shows that in a quantified comparison, the approach of the *German Property Foundation* (ZIA) achieves the highest score, followed by the *CoST* initiative and *FIEC*. The big difference of ZIA compared to the other four investigated initiatives is the holistic code of conduct which address all important stakeholders and integrates all products along the lifecycle of Real Estate properties. But it is also important to mention that every initiative from the table above has specific strengths which could lead to a possible best practice approach (see next chapter).

However, to achieve a full-scale comparison, all selected initiatives from chapter 5.3.2 have to be evaluated according to the categories set up in chapters 6.2.1 and 6.2.2.

6.4. Conclusion

As a last step, the results from the last chapter are now being analyzed, concerning which possible best practices could be derived and used for an UN Global Compact-based approach.

6.4.1. Identified possible Best Practices

The initiatives are selected according to their reached score in chapter 6.3.6.

1. ZIA – Codes of Conduct

The initiative achieved the highest score regarding the development of a sector specific code of conduct. Other initiatives were not found that include rules for all companies being involved in the Real Estate sector. In addition, the initiative was the only one that established its codex on the basis of the lifecycle of a Real Estate and so, showing a possible best practice approach regarding sector specific codes of conducts.

2. Construction Sector Transparency Initiative (CoST) – Anti-Corruption system

The initiative with the second-highest score is active on an international level and has created anti-corruption policies for developing and developed countries. Although the initiative follows a concept based on low financial costs, the successfulness was proofed during pilot period. The initiative could gain important information about infrastructure cost- and time-overruns. Every national *CoST-program* is led by a self-controlling system a multi-stakeholder group (MSG) and an assurance group. The MSG appoints the members of the assurance group which checks and monitors the data disclosure process. This procedure could act as a best practice in regard of the maximization of integrity and minimization of costs. The initiative itself lets its members elect the steering committee, ensuring the representation of interest and the integrity of the CoST initiative.

3. FIEC - Networking and Construction Companies' Codes of Conduct

Similar to the German Property Federation, FIEC is a group, lobbying for the interests of its participants. In difference to ZIA, which major concerns are about Real Estate Investments, the European Construction Industry Federation puts its focus on construction companies and the thereby associated tasks.

The initiative issued codes of conduct for construction companies, which could act as an amendment to the *cluster-specific* codes from ZIA. The codes are to be implemented by construction companies also on a voluntary basis. So, the problem remains, how the implementation of codes of conducts could be monitored. None of the two initiatives showed concepts how the review of voluntary principles could be realized.

The Real Estate and Construction Sector tends to high involvement of municipal or governmental authorities, especially during the planning and construction phases of a property. New regulations regarding e.g. energy efficiency regulate the market (see also chapter 3.2.3 for details) and influence the business of many companies and their employees. FIEC puts great attention on regulatory measures issued by the European Union and reacts in close coordination with other partnering initiatives to ensure their members' interests are heard.

So, as a result, FIEC does not deliver possible best-practices at first sight, but emphasizes the need for sector specific codes of conduct or similar voluntary rules and the need of cooperation and coordination of campaigns and other actions. Both points have to be considered for a holistic approach enabling sustainable development within the Real Estate sector.

4. IRPF – Realtor Training and market evaluation

The work of the International Real Property Foundation mainly regards the training of realtors and the support in establishing Real Estate association in developing countries. The sensitization of realtors for ethical and sustainable values is essential for a holistic approach, because they are an integral part of the Real Estate sector. Realtors synchronize the demand with the supply of commercial and residential properties. Through their direct customer support, they have the ability to underline the importance of sustainable thinking against their customers and therefore creating a certain level of understanding. In addition, realtors are able to show the advantages of sustainable properties in field and in practice. IRPF also shows a possibility how to evaluate the sustainability of Real Estate markets by its *International Property Markets Scorecard*.

So, the initiative shows a successful practice how Real Estate associations for the training of realtors could be established in developing countries to enable ethical and sustainable thinking from the bottom up.

5. BBP – Concept for the Providence of Guidance Materials & Green Leases

The initiative wants to improve the cooperation between commercial occupiers and owners and has therefore released a great variety of implementation strategies (e.g. for green leases) and guidance materials.

The strength of this initiative lies in the free and modern way how the results from surveys, guidelines or research papers are offered to members and the public via the initiative's website. The findings are also visualized and accessible over a tablet-PC application. Free, easy-to access, easy to learn applications could increase the acceptance of sustainable evaluation tools and could also be used to reduce prejudices of property companies or landlords who fear high introduction and implementation costs.

All in all, the investigated initiatives offered valuable approaches how the Real Estate sector as a whole, or at least specific parts, could be led to a more sustainable development.

6.4.2. Measurement of Success

In order to achieve a higher level of objectivity in the evaluation of initiatives, the success of initiatives also has to be taken into account. In chapter 6.2.4, indicators have been established how the success could be estimated. However, one problem occurred during the research for thesis: the unavailability of data. Numbers were missing regarding how many companies have adopted the voluntary frameworks. Due to the lack of long-time historical data of the economic development of participating companies, a quantitative measurement of *value added* due to the adoption of voluntary principles was hardly possible.

However, the fact of a steady development of higher rents for green buildings (see chapter 3.2.2) could be an indicator for the successfulness of sustainable approaches. If the companies with *green properties* have invested in sustainability due to their membership in a voluntary initiative, saying if there is a causal correlation, has to be further investigated for each initiative.

The next chapter will take into account the findings and identified practices from all chapters before to create a matching, holistic approach to adapt the UN Global Compact to the Real Estate and Construction Sectors' requirements.

7. Development of a Strategic Approach

To conclude this thesis, the author will establish a strategy for the United Nations' Global Compact, how the initiative could be fitted for the Real Estate and Construction Sector.

7.1. Definition of UN GC specific Targets

Within this last chapter, the findings of the chapters before will be brought together to create strategic recommendations, how the UN Global Compacts' Ten Principles could be adapted to support the development to a sustainable Real Estate and Construction Sector. Therefore, the requirements of a holistic approach, developed in chapter 6, will be taken to evaluate the current realizations by the Global Compact and to identify the measures which have to be undertaken to an adaptation for the Real Estate and Construction Sector. As a last step, the author will identify possible measures to monitor and ensure the successful conversion of the Ten Principles.

Setting up targets

Before the establishment of strategies and underlying measures, targets have to be identified, the UN Global Compact should be aware of to reach, if the initiatives' action are intensified in the Real Estate and Construction Sector:

1. *Strengthening the Connection between the Real Estate Sector and the Global Compact*
2. *Creating sector-specific rules covering a company's governance, relation to the society, treatment of workers and environmental performance*
3. *Improving the sustainable performance of all companies types of the Real Estate and Construction Sector*
4. *Enhance the training of employees on all company levels and of self-employed sector participants*
5. *Maximizing the sector's stakeholder integration*
6. *Facilitating the introduction and implementation of sustainable development, especially for SMEs*
7. *Ensuring the compliance to regulations and other governmental guidelines*
8. *Aligning new strategies within the Global Compact network, with other UN agencies, NGOs and the private sector*
9. *Monitoring and auditing the progress and integrity of participating companies*

To achieve the targets set above, measures have to be developed matching to the current sector-specific realization status and the organizational structure of the Global Compact.

7.2. Sector-specific Evaluation of the Global Compact

To figure out how the Global Compact framework has to be adapted to the special needs and requirements of the Real Estate and Construction Sector, the initiative is evaluated with the help of the categories developed in chapter 6.2.2. This gives an overview about the current status of the integration of sector-specific aspects in the Global Compact.

Table 19 - Current realization status within the Global Compact

#	Requirement ^{LVII}	Current status
A	Integration products of the Real Estate and construction Sector	Within the Global Compact, there are participating construction companies, Real Estate Investment Trusts and Real Estate Services. So, most of the products of this sector are represented, but the membership structure does not fulfill the importance and the responsibility that is related to the Real Estate and Construction Sector. Only about 10% of all companies are representing the sector, although they are generating a high profit share (especially REITs are underrepresented with only three participating companies).
B	Integration of all stakeholders of the Real Estate Sector	The Global Compact provides an established system of local networks, which are divided into three categories, according to their fulfillment status of the <i>“Memorandum of Understanding”</i> requirements [240]. Currently, the Local Networks indeed organize meetings with companies from several sectors, but the integration, especially of stakeholders from the Real Estate and Construction Sector has to be intensified.
C	Implementation strategies for corporate governance	The Global Compact provides sector-unspecific strategies for the implementation of inter alia supply chain traceability, embedding human rights in business practice, anti-corruption risk assessment and climate change adaption [241]. According to the 2013 survey by the <i>UN GC/RICS Sectorial Project</i> , there is a need for sustainability models for all company levels, especially the middle management [2]. Currently, the Global Compact generally follows a CEO based approach (referring to the LEAD initiative and other events like the Leaders’ Summit).
D	Supply of Tool Kits/ Guidance	The Global Compact offers numerous guidance materials for business from all sectors, covering topics from all four areas of the Global Compact [242].

^{LVII} The first requirement of chapter 6.2.2 is being left out, because it states requirements for other initiatives.

<i>E</i>	Attention to regulation processes	Due to the close relation between the United Nations and the initiative, decisions on supranational level (e.g. from the <i>UN Conference on Sustainable Development - Rio+20</i>) influence the work of the Global Compact.
<i>F</i>	Cooperation and coordination of campaigns	The Global Compact is working together with other UN agencies and initiatives (see chapters 4.1.6 and 4.3) inter alia in the areas of sustainability reporting (GRI), sustainable investments (PRI), Labour Rights (ILO) and global environmental issues (UNEP).
<i>G</i>	Rewarding System	Awards are not handed out by the Global Compact, but the initiative works together with other initiatives which announce awards [243].
<i>H</i>	Geographical Focus	The international focus of the Global Compact enables many possibilities. By the use of the Local Networks, local companies and small companies become also reachable.

The findings above will now be taken to derive measures how to improve the integration of the Real Estate and Construction Sector into the Global Compact.

7.3. Recommended Adaptation Strategies for the UN GC

The following strategies have been identified for the Global Compact to adapt its actions to the needs and conditions of the Real Estate Sector. To every strategy, initiatives are named which were identified during the worldwide investigation in chapter 5.3.2 and could assist the Global Compact with valuable input on the basis of a strategic partnership or project-based collaboration.

1. Collaboration with initiatives already active in the Real Estate Sector

Measure: Development of an active policy/roadmap how to cooperate and approach to sector-specific initiatives and associations to enable the access to existing information, knowledge and guidance materials and to reach more Real Estate and Construction companies.

2. Providing Sector Specific amendments to the Ten Principles

Measure: Based on the Ten Principles and international declarations on sustainability, the UN Global Compact could release sector-specific amendments for the Real Estate and Construction Sector. These specified principles then ease the implementation of the principles for the sector's companies and the establishment of company-specific measures to achieve sustainable development.

➔ Exemplary initiatives: ZIA, Business Compliance Initiative, Round Tables Codes of Conduct, FIEC

3. Providing a system to ensure construction workers' and contractors' rights

Measure: Establishing a cooperation platform between companies, contractors, construction workers' unions and local authorities including regularly meetings, whistleblower systems and independent third-party checks by an elected committee, consisting of stakeholders from all parties.

→ Exemplary initiatives: BSIC, Sustainlabour, Building and Wood Worker's International

4. Providing Systems for measures against Corruption in Infrastructure projects

Measure: To ensure free and fair market conditions for all companies especially in developing countries, the Global Compact should provide a framework conception how companies and governmental authorities could work together against corruption in infrastructure projects.

→ Exemplary initiatives: CoST, Global Infrastructure Anti-Corruption Center

5. Providing a platform to integrate all important stakeholders of the Real Estate and Construction Sector to increase reciprocal coordination

Measure: Specialized committees to achieve commitments and resolve problems between the private and the public sector and ensure an ongoing knowledge transfer about regulations, sustainable goals and public wishes.

→ Exemplary initiatives: ZIA, CoST, IRPF, Energy Efficient Buildings European Initiative (E2B EI), Urban Land Institute

6. Reducing obstacles for companies willing to introduce sustainable business practices

Measure: Providence of appropriate Tool-Kits and Implementation Guidelines, specialized for the sector's products and company types, utilizing existing materials by other initiatives.

→ Exemplary initiatives: Better Building Partnership, Green Rating

7. Cooperation and coordination with governmental-led initiatives

Measure: Seeking for the increase of cooperation with supranational organizations like the European Union, represented by the European Commission and its Commissioners. This ensures to streamline each strategies for the common goal of sustainable development in the Real Estate and Construction Sector.

→ Exemplary initiatives: FIEC, European Public Real Estate Association (EPRA)

8. Ensuring CEO, middle management, employee and realtor training

Measure: Offering employer and employee trainings via Local Networks, hosting conventions and workshops or provide training materials for in-company trainings.

→ Exemplary Initiatives: IRPF, Institute for Market Transformation

9. Establish a system for ongoing integrity checks

Measure: Utilizing and specifying the existing COP integrity-system for the Real Estate Sector, seek to cooperate with other initiatives/companies to ensure integrity and progress

→ Exemplary initiatives: Sustainalytics, CoST

10. Promoting the usage of sustainable and environmental-friendly construction materials

Measure: Increase the use of local, sustainable grown raw materials from certified sources by offering partnerships to certifying councils.

→ Exemplary initiatives: Forest Stewardship Council (FSC)

11. Promoting companies to integrate rating systems for energy efficient housing and corporate Real Estates and creation of certificates for compliance to Human, Labour and Environmental rights and declaration during the construction process, especially in large construction projects

Measure: In favor of a competitive increase between Real Estate property companies to offer best in-class energy efficient buildings, the UN Global Compact should assist companies in the implementation of current rating systems. In addition, to cover the fact *how and by whom* a building or infrastructure project has been realized and to improve the disclosure of important information, the creation of a certificate seems to be helpful. It could show, which companies were involved during the construction process and which contracting system has been used. Also, it could be shown if there is an elected employee and workers' representative body, if there are union representatives, which measures for integrity and compliance the companies offer and if all companies have signed the UN Global Compact. The audition to achieve the certificate could be realized by a voluntary self-check of the companies themselves, or by representatives of Local Global Compact Networks or other partnering NGOs. The current status of construction project auditions should also be part of the COP, which has been adapted to the needs of the Real Estate and Construction Sector.

→ Exemplary initiatives: LEED, BREEAM, DGNB

12. Promoting companies to integrate rating systems for ESG-compliant investments

Measures: In correspondence to the growing demand of ESG compliant investments, especially from constitutional investors (see chapter 3.2.2 for details), the Global Compact should assist Real Estate Investment companies with the integration of measurement systems.

→ Exemplary initiatives: Forum Ethibel, Global Initiative for Sustainability Ratings (GISR)

13. Ongoing assessment of the sustainability level of a Real Estate company's property stock

Measures: Utilizing existing sustainability reporting systems already in use by companies, but also overviewing different ratings.

→ Exemplary initiatives: GRI-CRESS, Global Real Estate Sustainability Benchmark (GRESB)

14. Creating structures inside the Global Compact to ensure coordinated action

Measure: Establishment of a Real Estate and Construction Sector steering committee or working group which is in charge of coordinating the work of the Local Networks, member administration and recruiting, collaboration with other initiatives and setting strategic targets in coordination with the Global Compact Office.

The recommendations and measures stated above are to be evaluated by the UN Global Compact and have to be matched to internal processes and roadmaps.

7.4. Required further Actions

The last chapter stated possible steps to undertake in favor of a sector specific adaptation of the UN Global Compact. In comparison to other initiatives from chapters 5.3.2 and 6.3, the Global Compact fulfills all basic requirements and already offers well-developed structures and a beneficial network which can be utilized. But to ensure the success of an adapted approach, the number of participants from the Real Estate and Construction Sector has to be increased. Therefore, the benefits for companies from this sector in joining the Global Compact have to be clearly stated, separated into economic, social, environmental and reputational benefits. Accompanying marketing campaigns could raise the awareness among companies to be aware of the increasing customer and society demand for sustainable products and so, lead to an additional increase in sector-related participants. To increase the cooperation between companies, the UN Global Compact and other initiatives and NGOs, already existing platforms like the *Business Partnership Hub* [244] should be used intensively.

8. Closing reflection

This thesis begins with the study of international declarations on sustainability and current corporate implementation models (chapter 2). So, the basis was created for the further investigation of current trends in the Real Estate and Construction Sector regarding the economic outlook, regulatory issues and the sectors' view on sustainability (chapter 3).

The need for private sector initiatives

As a result, at the end of chapter 3, a need for private sector initiatives in the Real Estate and Construction Sector is carved out to enable sustainable development (chapter 3.3). This outcome was set in connection to the representation of the Real Estate sector and its companies among the Global Compact, which is the world's largest initiative for private sector sustainable development. The investigations at the end of chapter 4 showed a clear underrepresentation of Real Estate Investment companies and services and home construction companies (chapter 4.4). In addition, there are recent violations on human and labour rights in connection with great construction or infrastructure projects, although the respective states have signed international declarations on human and labour rights (see chapter 2.1).

The regulatory gap

These facts underline the need for action which originates from the companies themselves, filling the gap that is left by unspecific or insufficient regulations. Among companies, the willingness exists to put sustainability on their strategic agenda, they have recognized its importance (chapter 3.2.2). The UN Global Compact, as the worlds' largest private sector initiative for sustainable development, could also have a great influence on business' behaviors in the Real Estate and Construction Sector. But the sector is found to be currently underrepresented in the initiative (chapter 4.4), although it has a great influence on global wealth and the development of the global climate. So, the Global Compact has to be adapted to the needs and wishes of companies from the Real Estate and Construction Sector to establish a broader participant basis and to realize its mission (chapter 4.1.3).

International Investigation

Through an international investigation of initiatives for sustainable development in the Real Estate and construction Sector, the author identified the requirements for a holistic approach of initiatives in this sector. These requirements were tested on existing initiatives, which led to examples of good practices and realizations for specific issues of a sector-specific approach.

Adaption to the Global Compact

At first, targets were set up which should be kept in mind during the adaptation process. After evaluating the current realization status, the results were then aggregated to create a strategic recommendations for the United Nations' Global Compact adaption to the Real Estate and Construction Sector. As a result, the UN GC should cooperate with the specialized initiatives found in chapter 5.3.2. These initiatives potentially offer possible best-practices that are currently in use and have been tested and validated by the initiatives' participants. In addition, the integrity measures should be intensified to ensure the progress of the members is being monitored and companies are starting implementation processes. The UN Global Compact should also integrate the wishes from its stakeholders by further investigations and surveys.

Outlook

The initiatives investigated in detail surely do not cover all aspects of possible best practices. In order to achieve a holistic overview about the ways to realize sustainable development, the initiatives found in chapter 5.3.2 have to be investigated in detail as well. In addition, to assess the success of sector-specific measures of private sector initiatives, a monitoring framework has to be developed and utilized over a longer timescale to achieve precise results.

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10. Appendix

10.1. To chapter 2.1.2

ILO Conventions [18]

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Minimum Age Convention, 1973 (No. 138)
- Worst Forms of Child Labour Convention, 1999 (No. 182)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

10.2. To chapter 3.2



Figure 24 - Reasons for investing in sustainable assets [69]

Structure GRI G4 Construction and Real Estate Sustainability Report

GENERAL STANDARD DISCLOSURES				
<ul style="list-style-type: none"> • Strategy and Analysis + • Organizational Profile + • Identified Material Aspects and Boundaries + • Stakeholder Engagement + 			<ul style="list-style-type: none"> • Report Profile • Governance • Ethics and Integrity 	
SPECIFIC STANDARD DISCLOSURES				
Category	Economic		Environmental	
Aspects ¹	<ul style="list-style-type: none"> • Economic Performance + • Market Presence + • Indirect Economic Impacts + • Procurement Practices 		<ul style="list-style-type: none"> • Materials + • Energy + • Water + • Biodiversity + • Emissions + • Effluents and Waste + • Products and Services + • Compliance • Transport + • Overall • Supplier Environmental Assessment • Environmental Grievance Mechanisms • Land Degradation, Contamination and Remediation ++ 	
Category	Social			
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspects ¹	<ul style="list-style-type: none"> • Employment + • Labor/Management Relations • Occupational Health and Safety + • Training and Education + • Diversity and Equal Opportunity + • Equal Remuneration for Women and Men + • Supplier Assessment for Labor Practices • Labor Practices Grievance Mechanisms 	<ul style="list-style-type: none"> • Investment • Non-discrimination + • Freedom of Association and Collective Bargaining • Child Labor + • Forced or Compulsory Labor + • Security Practices + • Indigenous Rights • Assessment • Supplier Human Rights Assessment + • Human Rights Grievance Mechanisms 	<ul style="list-style-type: none"> • Local Communities + • Anti-corruption + • Public Policy + • Anti-competitive Behavior + • Compliance • Supplier Assessment for Impacts on Society • Grievance Mechanisms for Impacts on Society 	<ul style="list-style-type: none"> • Customer Health and Safety + • Product and Service Labeling + • Marketing Communications • Customer Privacy • Compliance

1) The word **topic** is used in the Guidelines to refer to any possible sustainability subject. The word **Aspect** is used in the Guidelines to refer to the list of subjects covered by the Guidelines. + G4 General Standard Disclosures and G4 Aspects where sector specific content has been added. ++ Sector specific Aspects.

Figure 25 - Structure of GRI G4 Real Estate Sustainability Report [81]





GRI G4 General Standard Disclosures Overview

Report Guidelines referring to UN Global Compact

Table 20 - Overview G4 Standards referring to UN GC [83]

STRATEGY AND ANALYSIS										
G4-1	G4-2									
ORGANIZATIONAL PROFILE										
G4-3	G4-4	G4-5	G4-6	G4-7	G4-8	G4-9	G4-10	G4-11	G4-12	G4-13
							UNGC	OECD/UNGC		
G4-14	G4-15	G4-16								
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES										
G4-17	G4-18	G4-19	G4-20	G4-21	G4-22	G4-23				
STAKEHOLDER ENGAGEMENT										
G4-24	G4-25	G4-26	G4-27							
REPORT PROFILE										
G4-28	G4-29	G4-30	G4-31	G4-32	G4-33					
GOVERNANCE										
G4-34	G4-35	G4-36	G4-37	G4-38	G4-39	G4-40	G4-41	G4-42	G4-43	G4-44
G4-45	G4-46	G4-47	G4-48	G4-49	G4-50	G4-51	G4-52	G4-53	G4-54	G4-55
ETHICS AND INTEGRITY										
G4-56	G4-57	G4-58								

LEGEND


	General Standard Disclosures		Required General Standard Disclosures for both 'in accordance' criteria options		Linkage to OECD Guidelines for Multi-national Enterprises		Linkage to UN Global Compact 'Ten Principles'
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G4 SPECIFIC STANDARD DISCLOSURES OVERVIEW

DISCLOSURES ON MANAGEMENT APPROACH				
G4-DMA				
Indicators by Aspects				
CATEGORY: ECONOMIC				
Economic Performance OECD				
G4-EC1	G4-EC2	G4-EC3	G4-EC4	
Market Presence				
G4-EC5	G4-EC6			
Indirect Economic Impacts				
G4-EC7	G4-EC8			
Procurement Practices				
G4-EC9				
CATEGORY: ENVIRONMENTAL OECD/UNGC				
Materials				
G4-EN1	G4-EN2			
Energy				
G4-EN3	G4-EN4	G4-EN5	G4-EN6	G4-EN7
Water				
G4-EN8	G4-EN9	G4-EN10		
Biodiversity				
G4-EN11	G4-EN12	G4-EN13	G4-EN14	
Emissions				
G4-EN15	G4-EN16	G4-EN17	G4-EN18	G4-EN19
G4-EN20	G4-EN21			
Effluents and Waste				
G4-EN22	G4-EN23	G4-EN24	G4-EN25	G4-EN26

Indicators by Aspects				
CATEGORY: ENVIRONMENTAL OECD/UNGC				
Products and Services				
G4-EN27	G4-EN28			
Compliance				
G4-EN29				
Transport				
G4-EN30				
Overall				
G4-EN31				
Supplier Environmental Assessment				
G4-EN32	G4-EN33			
Environmental Grievance Mechanisms				
G4-EN34				
CATEGORY: SOCIAL				
LABOR PRACTICES AND DECENT WORK OECD/UNGC				
Employment				
G4-LA1	G4-LA2	G4-LA3		
Labor/Management Relations UNGC				
G4-LA4				
Occupational Health and Safety OECD				
G4-LA5	G4-LA6	G4-LA7	G4-LA8	
Training and Education OECD				
G4-LA9	G4-LA10	G4-LA11		
Diversity and Equal Opportunity				
G4-LA12				
Equal Remuneration for Women and Men				
G4-LA13				

LEGEND

 Specific Standard Disclosures

OECD Linkage to OECD Guidelines for Multinational Enterprises

UNGC Linkage to UN Global Compact 'Ten Principles'

G4 SPECIFIC STANDARD DISCLOSURES OVERVIEW (continued)

Indicators by Aspects					Indicators by Aspects				
LABOR PRACTICES AND DECENT WORK OECD/UNGC					SOCIETY				
Supplier Assessment for Labor Practices					Local Communities OECD/UNGC				
Labor Practices Grievance Mechanisms OECD					Anti-corruption OECD/UNGC				
HUMAN RIGHTS OECD/UNGC					Public Policy OECD/UNGC				
Investment									
					Anti-competitive Behavior OECD				
Non-discrimination OECD/UNGC									
					Compliance OECD				
Freedom of Association and Collective Bargaining OECD/UNGC									
					Supplier Assessment for Impacts on Society OECD				
Child Labor OECD/UNGC									
					Grievance Mechanisms for Impacts on Society OECD				
Forced or Compulsory Labor OECD/UNGC									
					PRODUCT RESPONSIBILITY OECD				
Security Practices					Customer Health and Safety OECD				
Indigenous Rights					Product and Service Labeling				
Assessment					Marketing Communications				
Supplier Human Rights Assessment					Customer Privacy				
Human Rights Grievance Mechanisms					Compliance				

LEGEND

	Specific Standard Disclosures	OECD	Linkage to OECD Guidelines for Multinational Enterprises	UNGC	Linkage to UN Global Compact 'Ten Principles'
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10.3. To chapter 5.2

Screenshot of Investigation matrix

Table 21 - Investigation matrix

Initiative	Short Form	Region	Country	Short Description
Sustainability Roundtable, INC	SBER	Worldwide	Worldwide	best practices for more sustainable business. SRI Inc is a private, mission driven, research and consulting dedicated to accelerating the development and adoption practices in more sustainable business. SRI Inc provides support research and consulting on management best practices for corporate and government executives responsible for optimal large budgets."
Responsible Investment Research Standard	Arista	Worldwide	Worldwide	ARISTA 3.0® is about Accountability and is a Responsible Investment Research Standard comprising guidelines and commitments and verifiable evidence of the transparency, accountability and verifiability of the processes involved in Responsible Investing (RI) research.
Union Investment – Sustainable Real Estate Investments	SRI	US, Europe	US, Germany, Poland, Austria, Suisse, UK, France	Assets under management totalling some 18 billion euros in Union Investment a leading European asset manager in the estate segment. Over 500,000 investors put their trust in the investment expertise and long experience of Union Investment property fund specialists.

List of investigated initiatives, associations and foundations

Initiatives

- ACT Now - Accelerating energy efficiency
- Amnesty International
- Anti-corruption research network
- Association for Sustainable and Responsible Investment in Asia
- Better Buildings Partnership
- BRE Environmental Assessment Method
- Building and Wood Workers International
- Building Owners and Managers Association International
- Business & Biodiversity
- Business and Human Rights Resource Centre
- Business and Industry Advisory Committee to the OECD
- Business Anti Corruption Portal
- Business in the Community
- Business Social Compliance Initiative
- Caring für Climate
- Center for International Private Enterprise
- Climate Change, Financial Markets and Innovation
- Concito - Denmark's Green ThinkTank

- Confederation of International Contractors' Associations (CICA)
- Construction Product Europe
- Construction Transparency Initiative
- CSR Europe
- Der faire Finanzberater
- Deutsche Vereinigung für Finanzanalyse und Asset Management (Society of Investment Professionals in Germany)
- Deutsches Netzwerk Wirtschaftsethik (European Business Ethics Network Deutschland e.V.)
- ECO Platform
- Equator Principles
- Ethical Investment Association
- European Business Ethics Network
- European Centre for Corporate Engagement
- European Construction Industry Federation
- European Fund and Asset Management Association
- European Public Real Estate Association
- European Social Fund
- EUROSIF
- Facing Finance
- Forum Ethibel
- Forum for Sustainable and Responsible Investment
- German Council for Sustainable Development
- German Institute for Human Rights
- German Property Federation
- German Sustainable Building Council
- Global Buildings Performance Network
- Global Environment Fonds
- Global Ethic Foundation
- Global Impact Investing Network
- Global Infrastructure Anti-Corruption Centre
- Global Initiative for Sustainability Ratings
- Global Real Estate Sustainability Benchmark
- Global Sustainable Investment Alliance
- Green Meeting Industry Council
- Green Rating

- <http://www.calpers-governance.org/investments/siri-bibliography>
- Human Rights Watch
- IEA, Sustainable Buildings Center (SBC)
- Impact Reporting and Investment Standards (IRIS)
- Institut Bauen und Umwelt e.V.
- Institute for Market Transformation
- International Chamber of Commerce
- International Energy Agency - Sustainable Buildings
- International Federation of Consulting Engineers
- International Finance Corporation
- International Integrated Reporting Council
- International Labor Organization
- International Property Markets Score Card
- International Real Estate Federation
- International Real Property Foundation
- International Sustainability Alliance
- International Trade Union Confederation
- Minimum Energy Perf. Standards
- Odyssee MURE II Project
- OECD Anti Corruption
- OECD Climate Change Board
- Office of Energy Efficiency & Renewable Energy, Building Technologies Office
- Principles for Responsible Investment
- Responsible Investment Association Australasia
- Responsible Investment Research Standard
- Romanian Green Building Council
- Round Table codes of conduct
- Social Investment Canada
- Stakeholder Forum
- Stolen Asset Recovery Initiative
- Sustain Labour
- Sustainability Accounting Standards Board
- Sustainability Roundtable, INC
- Sustainable Investment
- Sustainable Investments Forum
- The Earth Charter Initiative

- The European Platform for green building practitioners
- The LIFE Program
- The Natural Step
- Transparency International
- UK Sustainable Investment and Finance Association
- UNEP Finance Initiative
- Union Investment - Sustainable Real Estate Investments
- United Nations Development Programme - GEF
- United Nations Economic Commission for Europe
- United Nations Environment Programme (UNEP)
- Urban Land Institute
- US Green Building Council
- Verein zur Förderung von Ethik und Nachhaltigkeit bei der Geldanlage
- Voluntary Principles
- Wolfsberg Principles
- World Business Council for Sustainable Development, Energy Efficiency in Buildings
- World Economic Forum
- World Economic Forum - Partnering Against Corruption Initiative

Declarations

- African [Banjul] Charter on Human and Peoples' Rights
- American Convention on Human Rights
- Arab Charter on Human Rights
- Convention on Biological Diversity
- European Convention on Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social and Cultural Rights
- Universal Declaration of Human Rights

SRI Institutes and Services

- CBRE
- Global Investment Services
- LendLease
- SDCL

Information/Knowledge Exchange

- Alliance to Save Energy
- Der grüne Mietvertrag
- Global Reporting Initiative
- International Council for Research and Innovation in Building and Construction
- oekom research
- One Report - COP Publisher
- Sustainable Investment Research Institute
- Sustainalytics

Conferences

- Forum for Sustainable Development of German Business e.V.
- Global Environment Facility
- World Business Council for Sustainable Development

Financial Institutes

- GLS Bank

Rating agencies

- IBEC - CASBEE
- Nabers - National Australian Built Environment Rating System

Financial Indices

- FTSE Int. Ltd.
- DJSI – Dow Jones Sustainability Index
- MSCI Inc.

10.4. To chapter 6.3.1

Mission of FIEC



Figure 26 – Mission of FIEC[209]

The Principles [245]

“FIEC through its member federations recommends the following principles for implementation by construction enterprises on a voluntary basis:

1. *Promoting improved relationships with stakeholders through adhering to the ethical principles of mutual respect, honesty, integrity and transparency in business relationships while striving to develop and maintain economically sound and prosperous business practices throughout the supply chain*
2. *Promoting a high level of quality management of products and processes*
3. *Promoting a solid economic basis for the purposes of raising productivity and improving economic, social and environmental performance through making use of improved risk management techniques, as well as taking into account whenever possible, the total life cycle costs of construction projects including their maintenance and operation*
4. *Promoting investment in research and development and dissemination of innovation*
5. *Promoting freedom of association, the right to collective bargaining and equal treatment of people regardless of gender, nationality, religious beliefs, or ethnic affiliation*
6. *Promoting and continually improving health and safety procedures while striving for a zero accident rate, and mitigating their effects should they occur*

7. *Promoting training and continuous professional development of all employees*
8. *Promoting responsible community relations wherever construction activities take place*
9. *Promoting more environmental management strategies, notably through eco-design and the reduction of the environmental impact of construction activities and built facilities generally, whilst also promoting innovative environmental and energy efficient techniques, reducing water and energy use, ensuring where appropriate that materials used are taken from sustainable sources, re-using and recycling surplus or residual materials, progressively phasing out the use of hazardous substances, as well as preserving both biodiversity and Europe's cultural heritage*
10. *Promoting progressively whenever feasible, reporting mechanisms in order to measure and communicate sustainability performance in relation to established benchmarks and new targets and to put in place policies for on-going improvements."*

10.5. To chapter 6.3.2

ZIA – Cluster-Specific Principles [76]

Cluster 1: Producing

- "1. We support efforts designed to put all necessary processes in place that are prerequisite for raising and overhauling our buildings.*
- 2. Through integrative planning early on, joint project cooperation in construction, and an optimal operation, we achieve synergy effects in regard to energy efficiency and climate protection.*
- 3. With the holistic approach to the production process of a given property in mind, we expressly include the entire procurement process in this context, including the production of the building materials. In order to implement our sustainability goals, we develop realization concepts and rules together with the building industry.*
- 4. For new buildings and for the implementation of measures during the reinstatement of existing buildings, we aim for verifiable quality that meets any of various established standards of the European region.*
- 5. This project measure is supposed to improve the urban planning and socio-cultural situation. At the same time, we respect the buildup surroundings and the environment, and integrate the historical cultural heritage.*
- 6. We support the development and application of sustainability certification systems for buildings because doing so contributes to a continuous redevelopment of sustainability for the production and conversion of built structures.*

7. *We conduct public relations work for sustainable projects. We disclose the gained experiences in published form.*”

Cluster 2: Operating & Letting

“1. *We create transparency and have set up a detailed database about property core data of relevance for the sustainability aspect in order to be able to advise our owners, clients and users in optimal ways.*

2. *We review the integration of green lease contract provisions in our lease contracts, and introduce them successively.*

3. *We invest in our staff through pinpoint professional development and training measures. Our objective is the development of first-rate advisory competence on the sustainability issue for our clients and users.*

4. *Sustainability considerations will principally form an integral component of the operation, maintenance and the intended optimization of real estate assets.*”

Cluster 3: Investing

“1. *Sustainability is a key criterion of our investment strategy and of the due diligence process during the acquisition of real estate or indirect real estate investments.*

2. *We instruct our portfolio managers to regularly capture consumption data at the properties, as well as any changes to them, and to report them back to us. Moreover, we set annual minimum targets for the improvement of the consumption data together with the managers, and trace their fulfilment.*

3. *When selecting our asset managers and property managers as well as other service providers, we prefer companies that orient themselves explicitly to sustainability principles and actively support our efforts in this regard.*

4. *Our service providers are held to identify and implement options for improving the sustainability in the equipment or in the operation of existing properties that may be realised short-term.*

5. *We actively raise the awareness of our asset managers and property managers, their staff, and our tenants for the sustainable operation of our real estate.*

6. *We are successively trying to introduce green leases into our portfolio, or else encourage our service providers to step up their efforts to sign green leases.*

7. We have our portfolios checked for their certification eligibility, and move ahead with their certification as long as doing so is economically reasonable.

8. In the context of conversions, major maintenance measures, and restructuring efforts involving portfolio properties, we instruct our service providers to aim for clearly improved sustainability.

9. We regularly compare notes with other portfolio holders regarding experiences and opportunities to further improve portfolio sustainability, and help to endorse a greater level of transparency in the industry.”

Cluster 4: Financing

“1. Our loan approval processes specifically take forward-looking solutions and sustainable resource allocation for a given property into account.

2. We advocate the integration of sustainability aspects in real estate valuations.

3. In the context of financing negotiations, important parameters include sustainable construction, especially options for improving the energy efficiency and the environmental footprint.

4. We support our clients during the introduction of sustainable use concept for their existing or planned real estate.

5. We take green leases actively into account in the context of loan approvals, evaluations, and in the collaboration with our clients.

6. Of key importance in the training and ongoing qualification of staff working in real estate financing, especially surveyors, are the principles for the sustainable construction and operation of properties.”

Cluster 5: Using

1. “We will place particular emphasis on sustainability aspects in the selection of rented/used property when entering into rental or other use relationships. We will actively research the options for a resource-conserving occupancy, and review the integration of green lease provisions into our lease contracts.

2. During the time of the use relationship, we will exhaust possibilities for the resource-conserving use of a given property, and instruct our staff to practice the same form of use.”

Cluster 6: Advising

1. *“We prefer to advise companies that adhere to the sustainability criteria.*
2. *During the order procurement process, we will rate the sustainability of a given company as an important criterion.*
3. *We offer consultancy services that orient themselves to the sustainability of real estate.*
4. *We ensure the continued professional development of our staff in the area of sustainability in order to advise our clients in qualified ways.*
5. *Within the framework of our consultancy activities, we try to keep our resource consumption as frugal as possible and seek to provide carbon-neutral consultancy services.*
6. *We strive to offer our employees working conditions focused on sustainability. The concerns particularly the location, the environmental features of a building, and the local infrastructure as well as the socio-economic orientation of the company.”*

Cluster 7: Researching & Teaching

1. *“We pledge ourselves to the mission of a sustainable development across a wide spectrum of issues. We also pledge to embed sustainability firmly in our research and education activities in the field of real estate studies.*
2. *We take a multi-disciplinary approach to research and teaching, and will cultivate an ongoing exchange with other academic subjects such as economics and legal studies, civil engineering, town and country planning, and sociology.*
3. *We will take a hands-on research approach, and will make gained insights available to policy-makers and to the real estate industry in pragmatic ways.*
4. *We will promote the further professionalization of the real estate economy through appropriate training and continued professional development programs that involve the support of real estate studies departments.*
5. *We will actively recruit material and nonmaterial sponsorship for the training and continued professional development in higher education institutions and universities in order to promote sustainability research in this subject area.”*

10.6. To chapter 6.3.4



Figure 27 - International Property Markets Scorecard

CENTRE FOR REAL ESTATE

Prof. Dr. David Lorenz FRICS

Prof. Dr. Thomas Lützkendorf

Editors

The Centre for Real Estate at KIT is part of the Department of Economics and Management. It consists of the Institute of Sustainable Management of Housing and Real Estate and the RICS/KIT Shared Professorship on Property Valuation and Sustainability. The main objective of the Centre for Real Estate is to integrate the principles of sustainable development into real estate research, education and professional practices.

KIT is one of the largest research and education institutions in Germany. It was established in 2009 by a merger of Forschungszentrum Karlsruhe and Universität Karlsruhe (founded in 1825). KIT combines the missions of both former institutions: a university of the state of Baden-Württemberg and a large-scale research institution of the Helmholtz Association conducting program-oriented research on behalf of the Federal Republic of Germany.

More detailed information about the Centre for Real Estate at KIT is available at: www.oew.kit.edu