

Media Release

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New research reveals Australian real estate and property trusts failing to meet even modest sustainability targets

Australia's multi-billion dollar commercial real estate and property sector is failing to meet even modest sustainability benchmarks, according to new research released today by progressive policy network Catalyst Australia.

The report examined the 19 property sector companies listed on the ASX 200, which have a combined market capitalisation of \$97.5 billion, rating their reporting standards and outcomes in the areas of environmental performance, gender equality, labour standards, supply chains, sustainability engagement and community investment.

Catalyst Australia executive director Jo-anne Schofield said the report, *Building sustainability: A review of company performance in the commercial real estate and property sector*, found a clear distinction between the various companies, with four clear leaders in the sector and others lagging far behind.

"The leaders, Stockland, GPT Group, Dexus Property Group and Mirvac Group, scored comparatively well against most indicators across the range of different topics and appear to have integrated environmental and social issues into their business performance and evaluation," Ms Schofield said.

"However, even among this group there was room for improvement – with two reaching a score of 13 of a possible 24 in the index.

"Unfortunately, the stronger attention to environmental, social and corporate governance (ESG) by this group was dwarfed by the poor performance of the sector overall.

"The analysis by Catalyst Australia found that while larger players tend to lead on sustainability in other sectors of the economy, this wasn't the case in the property sector, with the largest companies — Westfield Group and Westfield Retail Trust — performing well under-par. With a market capitalisation of \$33.3 billion, making up 34.2 per cent of the market capitalisation of the sector, these poor results impacted significantly on the performance of the sector as a whole."

Key findings of the research include:

- ▶ **Environmental reporting very patchy.** The report recommends the introduction of a standardised environmental reporting framework which includes disclosures about absolute as well per square metre averages for carbon emission, energy consumption, water usage and waste production.
- ▶ **Serious blind-spot in reporting by subsidiaries:** Many subsidiary simply relied on disclosures by parent companies, despite subsidiaries being ASX listed companies in their own right. It is recommended that the reporting lines between parent and subsidiary companies should be clarified.

- ▶ **Greater scrutiny needed by investors:** Given the growing wealth of the sector and its interest to investors, the report argues that investors should consider mandating minimum reporting guidelines. In the interim, benchmarking against mature reporters within the sector and in other sectors should occur.
- ▶ **Greater transparency on labour and supply chain issues:** Reporting about labour standards and supply chains was largely overlooked by all companies. Given the heavy reliance on external contractors across all stages of property construction, maintenance and servicing, it is recommended that these areas be considered essential.
- ▶ **Worker health and safety ratings an area of potential risk:** More than two thirds of the companies provided minimal or no information on worker health and safety. Only two companies rated strongly in this area: Stockland and Mirvac. The lack of attention to worker health and safety disclosures is in stark contrast to reporting in other sectors of the economy. The poor result in the property sector underlines the need for a much more pro-active and transparent approach and clearer guidance, made more urgent by an expanded duty of care under national legislation introduced progressively from 2011.
- ▶ **Engagement with community and stakeholders:** The importance of the built environment and its footprint on where people work, live and shop warrants much greater attention to reporting about community initiatives and measures to consult and engage stakeholders such as workers, unions, tenants and community groups.
- ▶ **Gender equality:** The sector reported and performed relatively well on gender equality, with the proportion of women on company boards above the ASX 200 average. Unfortunately this did not translate to a critical mass of women in management positions or greater attention to diversity and equal remuneration policies. Six companies have introduced numerical targets to increase the number of female employees.

The rating scale that underpins the research was developed by Catalyst Australia in 2012/13, based on authoritative information and academic research. It captures benchmarks and policies set by governments, intergovernmental organisations, non-government organisations, regulatory agencies and industry groups. The approach taken is to review public disclosures to raise awareness about the importance of transparency by companies about their social and environmental activities and impact. The report notes there may be instances where companies have policies in place, but if they are not publicly disclosed, they would not be captured.

A visual representation of the results is available on the Catalyst Australia CSR Dashboard: csr.catalyst.org.au.

A full copy of the report, *Building sustainability: A review of company performance in the commercial real estate and property*, is attached. The *Property Sector Dashboard* website, with individual company results, can be accessed at www.catalyst.org.au.

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