Environmental (Sustainability) Reporting in 2020 and 2021 by Real Estate Companies from German Speaking Countries*

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Abstract: Environmental, social, and governance (ESG) regulations, such as the Non-Financial Reporting Directive (NFRD) and the forthcoming Taxonomy Regulation in the European Union (EU), have had and will continue to have a lasting impact on the real estate sector and various other stakeholders within the market. This study, therefore, compares the current European regulation with standard sustainability reporting practices in the real estate (RE) industry in Germany, Austria, and Switzerland. In particular, we aim to investigate what type of information related to environmental issues is being regularly provided and by how many of the 55 largest RE firms in the years 2020 and 2021. We show that the majority of the environmental indicators recommended by the European Real Estate Association (EPRA) are more often reported in 2021 than in 2020. For example, a 30% or higher reporting frequency in 2021 could be observed for the energy intensity of rentable area kWh/m², scope 1, 2, and 3 emissions t CO₂e, EPRA recommendations implementation, and citing of standards used. Irrespective of the positive development, however, there is still a lot of room for improving reporting quality as small reporting frequencies are identifiable for the following “E” measures: energy consumption BOP MWh (6 in 2020 and 4 in 2021), emissions intensity of BOP kg CO₂e/m² (8 in 2020 and 7 in 2021) and Scope 3 t CO₂e (7 in 2020 and 11 in 2021). The provided evidence highlights how low the reporting of “E” measures recommended by the EPRA generally is. In January 2023, the Corporate Sustainability Reporting Directive (CSRD) was officially enacted, marking a significant milestone in the field of corporate sustainability reporting. This newly established directive represents a significant advancement in the regulatory framework governing corporate social and environmental information disclosure. About 50,000 companies will now be required to report on sustainability. Thus, it is key for individuals, organizations, and politicians introducing new sustainability reporting rules in Europe to understand that too complex rules may not be appropriately complied with and keep uniform EU taxonomy reporting requirements besides CSRD easy to apply in the future.

1. INTRODUCTION

The concept of sustainability and the corresponding reporting mechanisms have undergone rapid development over the last two decades. There has been an increased awareness in society, both by individuals and companies, of the need to combat climate change and to behave ethically in their dealings with various stakeholders such as communities, customers, suppliers, and employees. Although the United Nations (UN) defined the term sustainability as early as 1987, it took three decades to formulate the 2030 Agenda for Sustainable Development, which includes 17 Sustainable Development Goals (SDGs) and 169 related targets (United Nations, University of Applied Sciences Kufstein Tirol, Finance, Accounting & Auditing, Andreas Hofer-Str. 7, 6330 Kufstein, Austria
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1987; United Nations General Assembly, 2015), eventually culminating in the 2015 Paris Agreement. The term "sustainability" is now understood as a comprehensive description of environmentally conscious principles and corporate responsibility. The acronym ESG, which stands for environmental, social, and governance, has become the preferred nomenclature among investors and capital markets. ESG reporting, with disclosure of ESG risks and performance metrics, provides insight into a company's risk landscape and its strategies for sustainable business operations and the generation of long-term financial returns. Regrettably, various stakeholders have problems with the inclusion of such information, as various ESG reporting standards and frameworks exist alongside non-mandatory reporting systems. For companies, the main concern is the significant costs associated with data collection and additional reporting requirements. Nevertheless, the efficient management of ESG data and sustainability reporting practices are indispensable prerequisites for compliance with existing mandates such as the Non-Financial Reporting Directive (NFRD) and the European taxonomy planned for 2024, supported by the Corporate Sustainability Reporting Directive (CSRD).

This study examines the prevailing landscape in terms of mandatory and voluntary sustainability reporting, as the relevant regulations in the European Union (EU) are only very rudimentarily formulated. The main objective of this study is to clarify the extent to which companies provide information on environmental concerns and thus address the "E" component within the ESG dimensions. A key measure of success is improving the traceability of ESG information in annual reports and supplementary sustainability information, as it is essential for facilitating informed decision-making processes. The focus of this study is to assess the comparability of E(SG) figures among leading listed real estate companies in Germany, Austria, and Switzerland. The importance of E(SG) reporting within the real estate sector is underlined by the widely known fact that these companies together contribute to more than one-third of global CO2 emissions. The European Real Estate Association (EPRA) has issued recommendations describing the indicators to be reported and the methods to calculate them, with a particular focus on environmental indicators. Ultimately, the analysis seeks to promote best practices drawn from the experience of the largest companies within the sample, particularly those subject to mandatory sustainability reporting.

This study focuses on 55 companies with a market capitalization of more than 100 million euros, all of which have submitted either annual reports, sustainability reports, or both for the years 2020 and 2021. It is noticeable that there are no studies that explicitly address the environmental, social, and governance (ESG) reporting of real estate companies in the DACH region (Germany, Austria, and Switzerland). Existing academic research, mainly focusing on listed companies, highlights the growing investor demand for ESG-related information (e.g. Holder-Webb et al., 2009; Khan et al., 2013; Reverte, 2009) and offers rudimentary proxies for measuring stakeholders' sustainability orientation (e.g. Branco & Rodrigues, 2008; Campbell et al., 2006; Huang & Kung, 2010). Conversely, research by Contrafatto (2014) and O'Dwyer and Unerman (2016) sheds light on the determinants that drive mandatory corporate social responsibility (CSR) reporting in unlisted companies. Previous research has also highlighted the latent ability of companies to influence policy decisions through their ESG reporting practices, whether intentionally or unintentionally (Morsing & Roepstorff, 2015; Shirodkar et al., 2018; Weyzig, 2009; Zhao, 2012) and potentially influence consumer behavior (Asay et al., 2022; Carrigan & Attalla, 2001; Vogel, 2005). The findings emanating from this underlying study offer invaluable insights for companies across diverse sectors, especially about their sustainability reporting practices, with a specific emphasis on environmental considerations, predicated upon exemplary
practices observed within the real estate industry in German-speaking nations. Moreover, this research augments the existing body of literature by underscoring the sporadic nature of voluntary sustainability reporting within the real estate sector during the years 2020 and 2021. These nuanced findings carry significant implications for various stakeholder cohorts and advocate for heightened political action in response to the identified disparities.

2. OVERVIEW OF SUSTAINABILITY REGULATION AND REPORTING OBLIGATIONS – A BRIEF CHRONICLE OF THE SUSTAINABILITY MOVEMENT

The basic concept of sustainable development dates back to 1987, when it was officially defined in the report "Our Common Future" by the World Commission on Environment and Development, also known as the Brundtland Report (United Nations, 1987). This formulation of sustainable development aims to balance economic progress with the preservation of a delicate balance between social and environmental factors. Subsequently, the United Nations convened the Earth Summit in 1992, a landmark event that led to the development of the Sustainable Development Action Plan, commonly known as Agenda 21. This marked a crucial point in the development of sustainability, as Agenda 21 introduced improved methods for measuring progress in this area. Before this, sustainability was difficult to quantify without proper assessment tools. In 2005, the UN World Summit advocated the adoption of a watershed model that encompasses the three "E" elements of Environment, Economy, and Equity/Social Justice while emphasizing their intersections, referred to as "S" for Sustainability. This marked a decisive departure from the earlier paradigms of corporate social responsibility (CSR) and the triple bottom-line approach. Subsequently, the United Nations introduced the Millennium Development Goals (MDGs) in 2015, coinciding with the Paris Agreement, and the Sustainable Development Goals (SDGs). These global initiatives were underpinned by the 2030 Agenda, which was ratified in 2015 and came into force in 2016. In it, the United Nations commits to 17 overarching SDGs, accompanied by 169 sub-goals, all designed to promote a more equitable and sustainable future. The fundamental goal of the 2030 Agenda is to enable decent living conditions on a global scale while ensuring the sustainable conservation of natural resources, which encompasses economic, environmental, and social dimensions (Thaler, 2021).

One of the most important long-term risks, according to the World Economic Forum's Global Risk Report (WEF, 2020), is extreme weather events, the potential failure to address climate change, natural disasters, environmental catastrophes, and biodiversity loss. The ESG-related financial products are theoretically intended for specific sustainability or ESG-related projects, assets, or activities (PAAs). They should therefore exclude incompatible activities and projects, such as carbon-intensive fossil fuels (E) (Schumacher, 2022).

To address environmental and social challenges and thus promote the development of a sustainable economic ecosystem, the sustainability standards described below are intended to provide a way for companies to document them as well. Essentially, these standards can be divided into three overarching categories as outlined by Behnam and MacLean (2011): principles-based standards (e.g. the UN Global Compact), certification standards (e.g. external auditors certifying compliance with the minimum requirements of the ISO 14001 environmental standard), and reporting standards (e.g. disclosure and transparency frameworks such as those of the Global Reporting Initiative (GRI)). Collectively, these various standards serve as important tools to advance sustainability goals and facilitate the transition to a more sustainable economy. Especially in the EU, quite a few initiatives have been developed to encourage global jurisdictions and
governments to establish laws regulating various aspects of sustainable finance and ESG investments. The common goal is to prevent greenwashing and promote truly sustainable economic growth (Johansen, 2016).

**EU Sustainability Reporting Regulation.** For the first time, the European Commission (EC) recognized corporate social responsibility (CSR) as a voluntary initiative in a policy paper in 2001. Ten years later, the Commission recommended improving the reporting and disclosure of corporate social and environmental activities in the European Union (European Commission, 2011). This development culminated in Directive 2014/95/EU (The European Parliament and the Council of the European Union, 2014) commonly referred to as the CSR Directive or Non-Financial Reporting Directive (NFRD). The NFRD requires public interest entities to improve the comparability of their non-financial disclosures from 2017 onwards (EU member states had to implement the directive by 6 December 2016). In both 2017 and 2019, the EC issued guidelines for non-financial reporting, subsequently expanding their scope to encompass applicable sustainability standards such as the Carbon Disclosure Project (European Commission, 2017, 2021). On April 21, 2020, the EU Commission proposed the Corporate Sustainability Reporting Directive (CSRD), set to be effective from 2024. The CSRD seeks to amend and augment existing directives, encompassing a broader spectrum of companies and audits, while refining reporting prerequisites (European Commission, 2021). Moreover, on November 3, 2021, the IFRS Foundation’s Trustees established the International Sustainability Standards Board (ISSB), headquartered in Frankfurt, Germany. The ISSB’s primary objective is the development of a global framework for sustainability-related disclosure standards. To foster comparability, an EU reporting standard for sustainability reporting is slated for creation. This effort necessitates consideration of international frameworks, including the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), International Accounting Standards Board (IASB), Task Force on Climate-Related Disclosures (TCFD), UN Global Compact, and the Sustainable Development Goals (SDGs). The EU sustainability reporting standards will be promulgated through a delegated act of the EC, with supplementary guidelines scheduled for release by October 31, 2023.

**Requirements for Sustainability Reporting.** The minimum reporting requirements cover several important aspects such as environmental, social, and labor concerns, diversity policy, anti-corruption, human rights, and anti-corruption. The specific content that must be included in the non-financial statement or sustainability report is regulated in § 289c HGB. Furthermore, it is advisable to align the reporting with established national and international standards and to identify the standards used. The NFRD mentions several recognized standards, including the Eco-Management and Audit Scheme (EMAS), the United Nations Global Compact (UNGC), the Guiding Principles on Business and Human Rights, the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the International Organization for Standardization ISO 26000 Social Responsibility Framework, and the Global Reporting Initiative (GRI). In summary, the NFRD includes the following key principles and recognizes the broad diversity of businesses and sectors involved: disclose material information, fair, balanced, and understandable, comprehensive but concise, strategic and forward-looking, stakeholder orientated, consistent and coherent (European Commission, 2017). Based on this, similar regulatory requirements also apply to Austrian companies of significant size, with the Non-Financial Reporting Directive (NFRD) being retroactively incorporated into Austrian legislation for the 2017 financial year. A key legislative development in this context is the Sustainability and Diversity Improvement Act (NaDiVeG), which came into force in 2016 and introduced changes for non-financial reporting in sections 243b and 267a of the Austrian Business Code. There are also notable changes
Environmental (Sustainability) Reporting in 2020 and 2021 by Real Estate Companies from German Speaking Countries (Bernhard & Riedlberger, 2021; Thaler, 2021). Furthermore, the European Commission (EC) also endorsed a proposal for a Corporate Sustainability Reporting Directive (CSRD) in 2020.

Recent Developments in Swiss Sustainability Reporting Regulation. In Switzerland, the legal requirement for reporting sustainability measures remains absent, although ongoing discussions within the Federal Council are addressing this issue comprehensively. A notable development occurred on February 23, 2022, when the Federal Department of Justice and Police (FDJP) commissioned the Federal Office of Justice (FOJ) to investigate the implications of prevailing EU regulations concerning sustainability reporting, transparency, and due diligence obligations. This investigation aims to assess the necessity of integrating these regulations into Swiss law. Concurrently, the Global Reporting Initiative (GRI) is collaborating with the European Financial Reporting Advisory Group and the International Sustainability Standards Board to harmonize their respective sustainability reporting standards (Flach, 2022). In 2014, ESG (Environmental, Social, and Governance) recommendations were included in the Swiss Code of Best Practice for Corporate Governance. In 2015, the Swiss Federal Council issued a declaration on corporate social responsibility (CSR) in which it advocated voluntary transparency and non-financial reporting on corporate sustainability initiatives (Baumüller et al., 2018). The Federal Assembly responded 5 years later with an indirect counter-proposal in which it introduced two new regulations for the Code of Obligations (Swiss Confederation, 2020). First, it mandated non-financial reporting for organizations that meet the criteria of the Non-Financial Reporting Directive (NFRD) and include public interest entities with at least 500 employees in two consecutive financial years, a balance sheet total of more than CHF 20 million or a net turnover of more than CHF 40 million. The reports must be publicly available for a decade and comply with the content requirements of the NFRD. Second, companies were required to conduct due diligence and reporting on conflict minerals and child labor. This requirement applies to companies that import materials from conflict areas or high-risk regions, as well as to companies that offer products or services potentially involving child labor. It requires the definition of potential risks and the identification of appropriate mitigation measures (Swiss Confederation, 2020; Thaler, 2021). Looking ahead, the forthcoming EU sustainability reporting obligation is expected to extend to non-EU companies generating over 150 million EUR in the EU, with at least one subsidiary or branch within the EU, commencing in 2028. Besides the estimated 50,000 companies impacted by the new Corporate Sustainability Reporting Directive (CSRD) regulation within the EU, several large Swiss companies will also be subject to its provisions.

From 2024, there will be significant changes in sustainability reporting due to new regulations. This Corporate Sustainability Reporting Directive (CSRD), which was officially published in the Official Journal of the European Union in December 2022, represents a fundamental revision of the existing Non-Financial Reporting Directive (NFRD) of 2014. Underlying the CSRD is the establishment of uniform European reporting standards and the formulation of reporting guidelines based on the principle of "double materiality". As a crucial improvement of the CSRD, the audit of sustainability reporting is prescribed to improve the stringency and reliability of the published sustainability information. At the same time, the accessibility of this data is to be improved by requiring its publication in a digital, machine-readable format within the management report, which will enable more efficient data dissemination. The purview of these European Union regulations extends to encompass all large enterprises, as defined by specific criteria, encompassing those with a workforce numbering at least 250 employees, net sales exceeding 40 million EUR, and total assets surpassing 20 million EUR. Furthermore, these regulations apply universally to companies listed on regulated markets, except micro-enterprises...
listed on such markets. Another noteworthy requirement within the CSRD is that subsidiaries can be exempted from compliance with the CSRD if they are included in the consolidated CSRD-compliant management report of the parent company. It is important to note here that companies currently complying with the NFRD will have to move to compliance with the CSRD from 2024, while other companies will only follow gradually in the following years.

3. DATA AND METHODOLOGY

The study examines the various sustainability reports of a total of 55 listed real estate companies from Germany, Austria, and Switzerland. These companies were selected based on their respective market capitalization (more than EUR 100 million in 2020 and 2021). The analysis includes a comprehensive quantitative evaluation of the annual reports and any explicit sustainability reports, if these were available. A special focus was also placed on the possible assessability of environmental indicators. To comply with the applicable EU regulations on sustainability, the environmental, social, and governance (ESG) reporting should be informative (materiality). Furthermore, it is also important that the reported data is comparable. The three largest German entities are Vonovia, Deutsche Wohnen SE and LEG Immobilien AG. In Austria, the largest entities are CA Immobilien Anlagen AG, IMMOFINANZ AG, and S IMMO AG. In Switzerland, the relevant top three companies are Swiss Prime Site AG, PSP Swiss Property AG, and Allreal Holding AG.

The methodology used in this study is content analysis. In this, individual documents (annual reports, sustainability reports) are examined, and, in particular, non-financial statements (Wooldridge, 2013). It is important to mention that in both Austrian and German legislation there is a legal mandate for minimum reporting on environmental, social, and labor issues, human rights, anti-corruption and anti-bribery, and diversity policies. In this context, the present study focuses primarily on reporting on environmental issues. The majority of the companies studied provided this information voluntarily, as the respective number of employees is below the threshold of 500. Mandatory disclosure would only be obligatory according to the regulations if a company was classified as a public interest entity, a classification that does not apply to the companies in the present study.

4. RESULTS

It has already been shown in research that even though the comparability of social and governance measures in the RE industry increased in recent times, there is still room for improvement (Galkiewicz & Wollmann, 2022). The annual or separate sustainability reports of the largest 55 real estate firms from the German-speaking area of Germany, Austria, and Switzerland provide an overview of common environmental (sustainability) reporting practices. Table 1 shows how many entities provided environmental measures recommended by the EPRA together with the type of information provided in the years 2020 and 2021. A direct year-on-year comparison of the reported data reveals the dynamics associated with the reporting of environmental measures ("E" for Environmental).

More than 50% of companies show the number of rented units in both years, but the typical environmental measures are only reported by 20 to 40% out of 55 RE companies as can be seen in Table 1. The total energy consumption MWh was reported by 24 entities in 2020 and 18, which is 25,0% less in 2021, while the energy intensity of rentable area kWh/m² was recommended by EPRA was shown by 20 firms in 2020 and 16 in 2021 (-20,0%). The general heating
consumption in portfolio MWh was given by 20 firms in 2021 (16 in 2020), while the overall water consumption million m3 could be identified for 19 entities in 2021 (18 in 2020) – in both cases an almost constant development. The waste volume tonnes (t) are observable 16 times in 2020 and 12 in 2021 (-25,0%). The next measure, which is being reported by the EPRA recommendations, is the emission intensity of rentable area kg CO₂e/m² showing up 21 times in 2021 and 14 in 2020, which is equivalent to a decrease of approx. 33,3%.

<table>
<thead>
<tr>
<th>Information type</th>
<th>No. of reporting firms in 2020/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of rented units</td>
<td>33/33 (+/-0,0%)</td>
</tr>
<tr>
<td>Total Energy Consumption MWh</td>
<td>24/18 (-25,0%)</td>
</tr>
<tr>
<td>Energy intensity of rentable area kWh/m²</td>
<td>20/16 (-20,0%)</td>
</tr>
<tr>
<td>Heating consumption in portfolio MWh</td>
<td>20/16 (-20,0%)</td>
</tr>
<tr>
<td>Water consumption million m³</td>
<td>18/19 (+5,6%)</td>
</tr>
<tr>
<td>Waste volume t</td>
<td>16/12 (-25,0%)</td>
</tr>
<tr>
<td>Energy consumption BOP MWh</td>
<td>06/04 (-33,3%)</td>
</tr>
<tr>
<td>Emission intensity of rentable area kg CO₂e/m²</td>
<td>21/14 (-33,3%)</td>
</tr>
<tr>
<td>Scope 1 t CO₂e</td>
<td>16/18 (+12,5%)</td>
</tr>
<tr>
<td>Scope 2 t CO₂e</td>
<td>17/18 (+5,9%)</td>
</tr>
<tr>
<td>Scope 3 t CO₂e</td>
<td>07/11 (+57,1%)</td>
</tr>
<tr>
<td>Emission intensity of BOP kg CO₂e/m²</td>
<td>08/07 (-12,5%)</td>
</tr>
<tr>
<td>Limited engagement opinion by auditors (Yes/No)</td>
<td>02/02 (+/-0,0%)</td>
</tr>
<tr>
<td>EPRA Recommendations are followed on? (Yes or No)</td>
<td>11/18 (+63,6%)</td>
</tr>
<tr>
<td>Use of Environmental Standards like e.g. GRI, UNGC?</td>
<td>11/14 (+27,3%)</td>
</tr>
</tbody>
</table>

Source: Authors

Additionally, the Scope 1 t CO₂e (emissions directly caused by the company) reporting increased by 12,5% from 16 entities in 2020 to 18 in 2021. Similarly, the Scope 2 t CO₂e (emissions indirectly caused by the company) reporting increased by ca. 6% from 17 entities in 2020 to 18 in 2021, while the Scope 3 t CO₂e (emissions caused by the company’s suppliers) reporting rose by ca. 57,0% from 7 entities in 2020 to 11 in 2021. Only the measures of energy consumption BOP MWh and Emission intensity of BOP kg CO₂e/m² are seldom mentioned by ca. 10% of the 55 RE firms in both years. Finally, 18 companies stated in 2021 (11 in 2020) to actively follow the EPRA recommendations and another 14 entities in 2021 (11 in 2020) list the standards applied e.g. GRI, SASB, and UNGC, which means that in both cases a positive increase by around 60% and 30% is observable, respectively.

Everybody who wants to gain insights into best practices in sustainability reporting can study the sustainability reports of (mostly large) real estate companies. The recommendations of the European Public Real Estate Association (EPRA) are also worth reading. An example of effective reporting is Vonovia’s sustainability report. It documents in great detail the activities carried out, including clear graphics that are easy to understand even for the layperson and thus contribute to clarification. The development of the quantitative ESG key figures over time is also explained and all ESG performance indicators are published on the home page in an Excel file. This implementation can be described as reference documentation for those interested in ESG reporting systems. However, most of the other companies in the RE sector surveyed have also produced representative sustainability reports, suggesting that the need and urgency have now been recognized.
Overall, the majority of environmental measures were 30 to 60% more often reported in 2021 than in 2020, but the baseline figures were relatively low. The complexity of the topic and the parallel coexistence of multiple standards overwhelm companies. Many of those, who still search for the right approach, often purchase (pseudo-)sustainability certificates and show up to 10 certificates from various private firms, not necessarily known for their sustainability know-how, on their webpages. This is not necessarily how sustainability awareness and action were meant to be. The forthcoming EU regulation, set to take effect in 2024, holds the potential to drive enhancements in the quality of sustainability reporting in the years to come. It is important, that these requirements will not be too complex at the beginning and are transparent across all industries. After 3 to 5 years one could then extend the reporting requirements to be more specific, i.e. industry oriented, otherwise, the companies will follow the rules on paper and fill the measures with fantasy numbers.

To save the planet, we need only a few environmental measures to be improved and correctly reported. Requiring a high level of pseudo-precision from the companies from the beginning on, will most probably, lower their acceptance for ESG measures and increase reporting of fake facts, which will be difficult to detect for auditors, who are not engineers by definition. If this grey zone appears, we will reach the goal of CO2 neutrality in 2050 only on paper, but not in reality. The goal of regulators in the EU and elsewhere in the world should, however, be reaching the zero net goal to save the planet for future generations.

5. CONCLUSION

This study aims to show common environmental (sustainability) reporting practices of real estate firms in 2020 and 2021, given existing European regulations. In recent years, sustainability has become a buzzword, and sustainability reporting is often perceived only as a marketing tool. However, it is unclear, whether firms establish sustainable structures or whether they argue existing processes into being sustainable. In summary, sustainability transformation efforts are essential, especially considering the growing awareness among investors and consumers of the critical need to adopt environmentally sustainable practices. In general, comparing reported sustainability measures with a specific focus on environmental issues among entities within a single industry in a particular country can be a challenging endeavor (e.g. Real Estate in Germany, Austria, and Switzerland). In all three countries, there was evidence that several “E” measures from ESG are being mentioned more often in 2021 than in 2020, but one should not forget that only 20-40% of the large RE companies reported any of them to begin with. The largest companies use several sustainability reporting standards in parallel, which makes a direct comparison difficult – there are too many coexisting environmental reporting schemes. It is important to note that the results are only indicative, as only two years of data have been analyzed and a small sample of 55 companies from a single industry has been studied. For subsequent research, it would therefore be useful to extend the scope to smaller companies within the RE sector. In addition, conducting a comprehensive content analysis that spans several years and different industries and includes several environmental, social, and governance (ESG) measures could make sense. This would provide a more comprehensive perspective on sustainability reporting practices. Sustainability standards play an essential role today as they are used as a framework for companies to assess and disclose their sustainability initiatives. The complexity of sustainability standards continues to expand and there are now (too) many options. The launch of the International Sustainability Standards Board (ISSB) and the forthcoming extension of sustainability reporting requirements to different industries at the EU level, due to start
in 2024, have both the potential to improve the quality of reporting and the risk of flooding the reporting landscape with inaccurate data. Policymakers, lobbyists, and regulators should take note of our research findings and recommendations. They need to pay close attention to the potential complexity and red tape imposed on companies in sustainability reporting and find a balance that promotes transparency without overburdening companies.

References


