

## **KTI REVIEW: CORPORATE SOCIAL RESPONSIBILITY IN THE REAL ESTATE SECTOR**

*KTI's third review on corporate social responsibility in the Finnish real estate sector focuses on the importance of collaboration between the various different players in the value chain in accomplishing corporate responsibility objectives. The review also includes the results of the KTI Responsibility barometer, which explores the largest property investors' strategies and views on corporate social responsibility issues.*

*The review aims to increase information about the role and significance of real estate from the point of view of the economy, society and environment. It also discusses recent developments and trends in the management and reporting of corporate social responsibility issues in the Finnish real estate sector.*

*This is a brief summary of the review introducing some highlights of this year's contents.*

## **THE REAL ESTATE AND CONSTRUCTION SECTOR HAS A SIGNIFICANT ROLE IN THE ECONOMY, SOCIETY AND ENVIRONMENT**

The real estate and construction sector produces, maintains and develops the built environment: buildings, infrastructure and networks. The built environment provides environments for living and working as well as for public and private services for all citizens, businesses and the public sector. Buildings comprise over 60% of the Finnish national wealth and produce over 40% of Finland's greenhouse emissions.

The economic viewpoint of corporate responsibility in the real estate business mainly focuses on the large amounts of capital that are invested in property. The economic life cycle of these investments is typically long, which adds to the significance of the productivity and efficient management of the capital, which is important from the viewpoint of the national economy and well-being.

The size of the Finnish professional property investment market currently amounts to some 54 billion euros. Professional investors – institutions, property companies and fund managers – provide space for those occupiers, both households and corporations, who do not want or cannot invest in the space they need. The importance of professional investors has increased together with the corporations' and households' willingness to lease rather than own their premises. The ability to lease allows companies to target more capital in developing their business, and thereby contribute more in the well-being of society. For households, renting is often a more flexible solution than committing to large and long-term mortgages.

Measured by value, some 80% of Finnish office buildings are currently owned by professional investors. In recent years, the proportion of rented property has also increased in the retail and residential property sectors, which illustrates the decreasing interest in property ownership among occupiers, and, at the same time, highlights the need for capital and professional players in the property investment sector.

**SUSTAINABLE ECONOMIC DEVELOPMENT IS ACHIEVED TOGETHER**

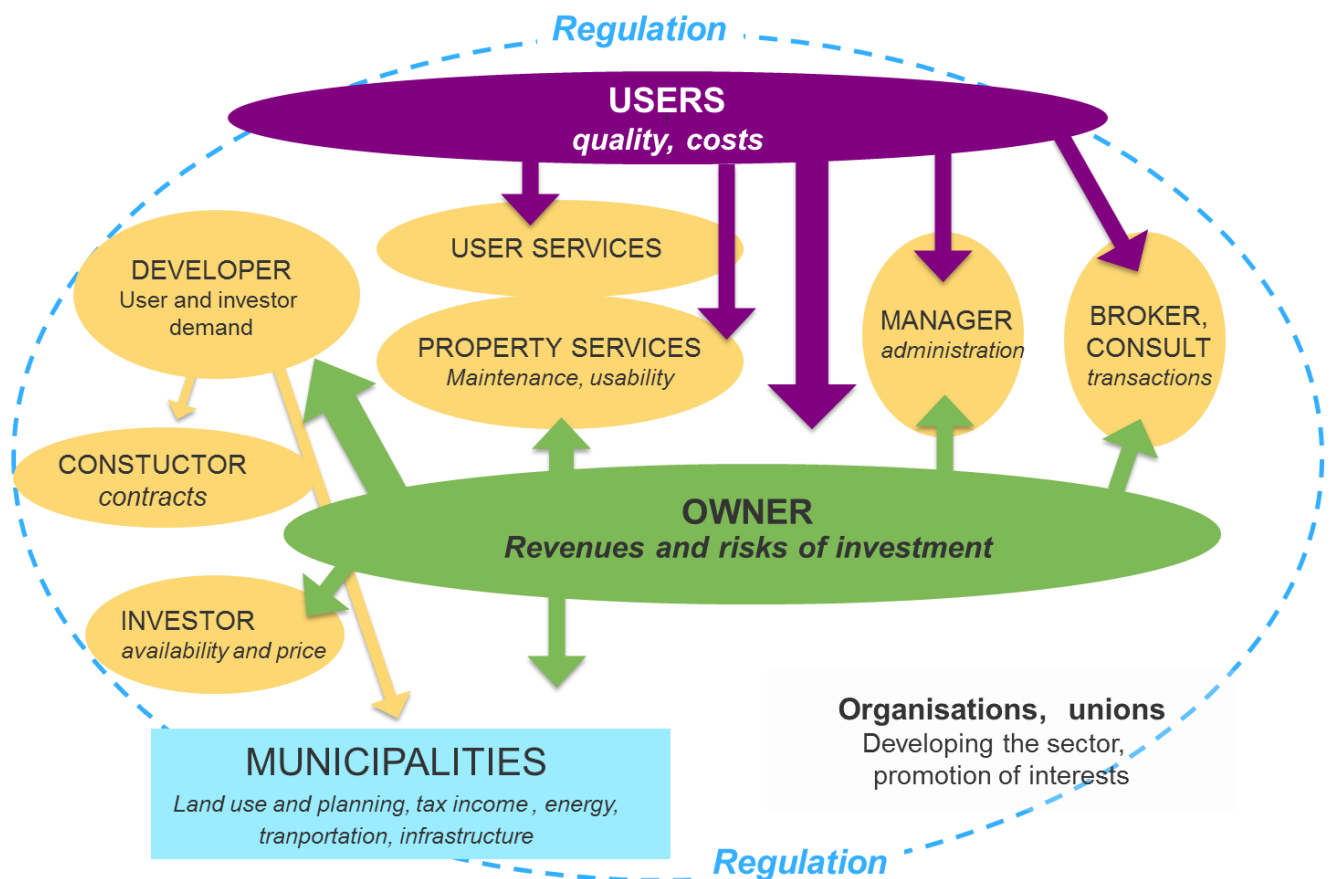
The real estate and construction sector contributes to the economy through, for instance, employment and tax income. The regulatory environment has a great impact on the sector's sustainable economic development by creating the framework for business. Increasing the transparency of the investment market as well as the prevention of black markets are shared development challenges for all players in the sector.



**THE VALUE CHAIN OF REAL ESTATE BUSINESS COMPRISES VARIOUS DIFFERENT PLAYERS AND OPERATIONS**

The value chain in the real estate and construction sector is versatile and the players’ business models and strategies are varied. In the real estate sector, well-being and competitiveness cannot be built alone, but co-operation and well-functioning business networks are essential even for the biggest companies. For property investors, it is crucial to understand the businesses’ economic, social and environmental impacts, and, based on this understanding, to define the objectives for the whole network, including clients, service providers and other stakeholders. Promoting one’s responsibility objectives requires a wide and versatile co-operation with different players and the coordination of the commissioner’s objectives in the whole network. When promoting responsibility, it is essential to analyse and define different players’ status, role and contribution in the value chain.

Value chain in real estate sector is broad and versatile



**KTI RESPONSIBILITY BAROMETER 2016:**

The KTI Responsibility barometer explores the largest property investors' strategies and views on corporate social responsibility issues. The survey was carried out in May 2016, and targeted at 50 biggest Finnish real estate investors and owners. 25 organisations responded to the barometer; these organisations represent more than €30 billion worth of property investments.

**Corporate responsibility: key drivers and challenges:**

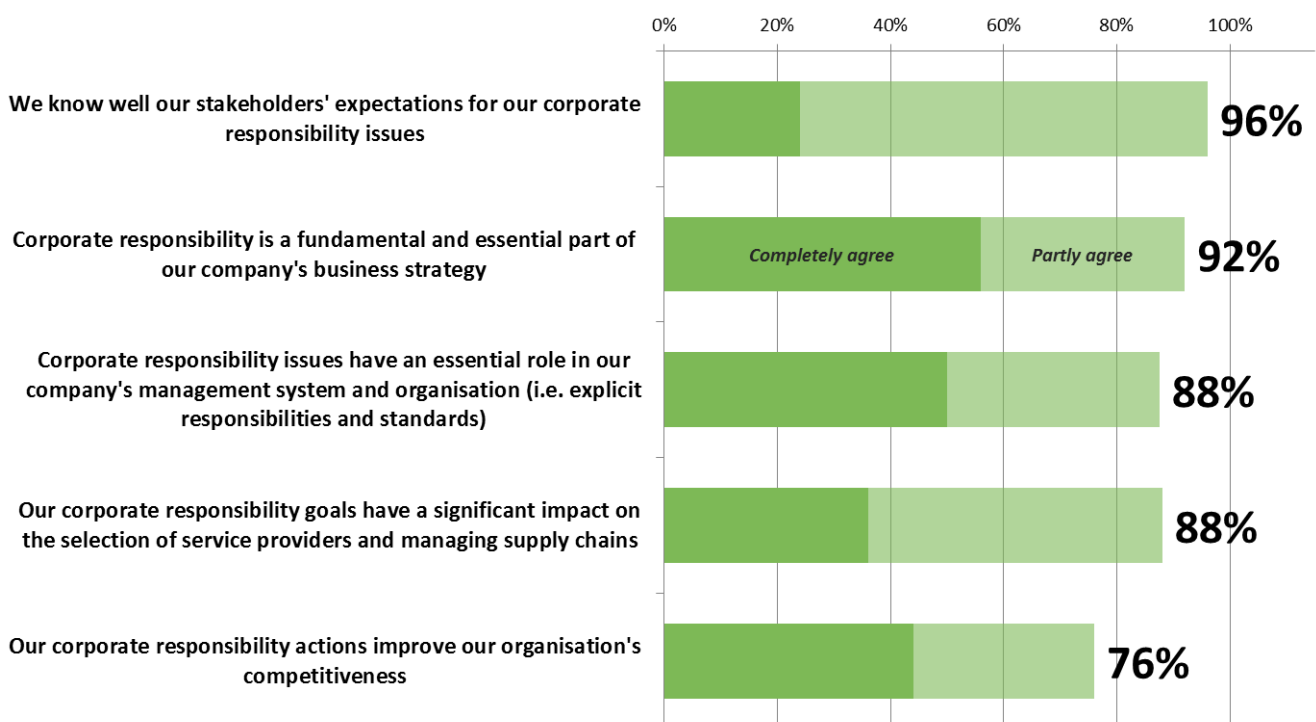
*What are your organisation's key reasons to invest in corporate responsibility issues / TOP 3:*

- Securing future business performance (56%)
- Securing and enhancing corporate image and reputation (56%)
- Complying with norms and regulations (52%)

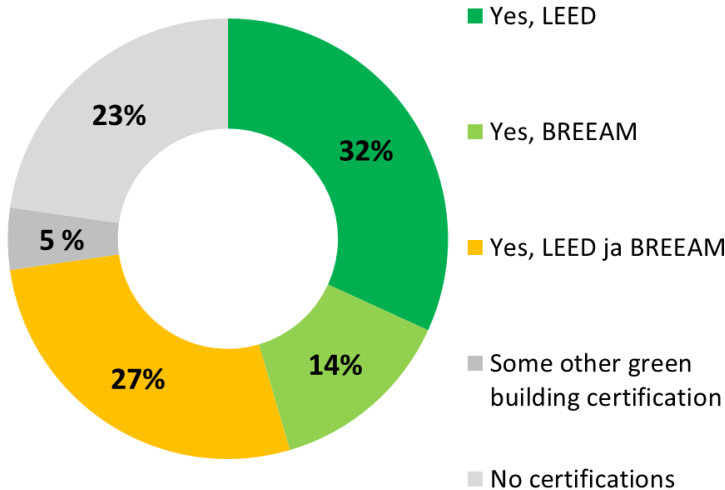
*Which aspects of corporate responsibility do you consider as the most challenging / TOP3:*

- Ensuring and enhancing service providers' and other partners' compliance with our objectives (60%)
- Motivating property users/ tenants to reduce the environmental burden (36%)
- Decreasing the environmental footprint of buildings (24%)

**Corporate responsibility issues are an essential part of business strategies in the biggest real estate investment companies: How well do the following statements characterise your organisation's strategy and management of corporate responsibility issues?**



**Does your company have green building certified properties?**



59% of companies are going to increase the amount of green building certified properties in the next 5 years

**RATING OF RESPONSIBILITY PERFORMANCE / TOP 5:**

- 1) Managing and controlling grey economy
- 2) Supplying space and services that fulfill our customers' needs and requirements
- 3) Code of conduct / other standards
- 4) Monitoring and enhancing customer satisfaction
- 5) Monitoring and enhancing employee well-being

**MOST SIGNIFICANT DEVELOPMENT AREAS WITHIN THE NEXT 3 YEARS / TOP 5:**

- 1) Monitoring and enhancing customer satisfaction
- 2) Supplying space and services that fulfill our customers' needs and requirements
- 3) Monitoring and enhancing employee well-being
- 4) Life cycle management of buildings, long-term maintenance and refurbishment
- 5) Ensuring and enhancing the supply of healthy and safe indoor environments in commercial/residential properties

KTI and RAKLI are developing, together with 10 pilot companies, a corporate responsibility reporting guideline for Finnish property investors. The guideline will be compatible with international standards, guidelines and benchmarking tools. Mutual key performance indicators support comparison of operators in the sector and enable benchmarking between companies.

*This is a brief summary of the review. The full review in Finnish can be downloaded at [www.kti.fi](http://www.kti.fi).*

*The review is carried out in co-operation with 11 organisations: Citycon Plc, Genesta Property Nordic, Green Building Council Finland, Varma Mutual Pension Insurance Company, Keva, Kiinko Real Estate Education, LocalTapiola Real Estate Asset Management Ltd, Ovenia Ltd, RAKLI The Finnish Association of Building Owners and Construction Clients, Senate Properties, Sponda Plc*