JLL seizes the opportunity provided by ESG reporting to help clients reduce climate impacts

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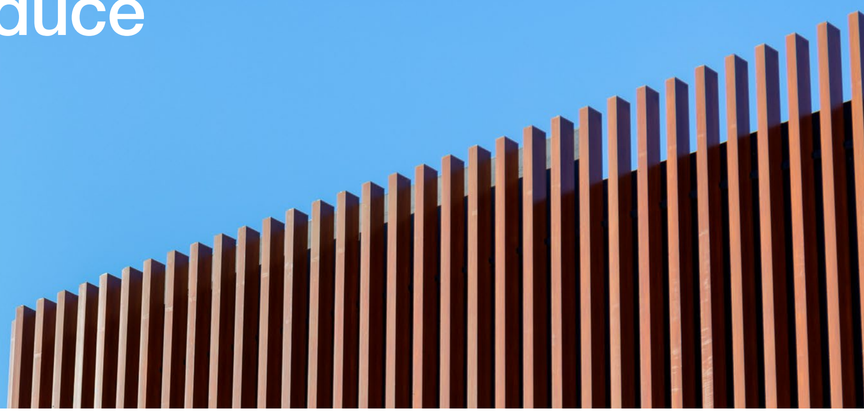

Introduction

JLL is a leading global professional services and investment management firm dedicated to helping clients create value through owning, occupying, developing and investing in real estate. A Fortune 500 company, listed on the New York Stock Exchange, it employs nearly 100,000 people based in 80 countries around the world.

Sustainability is central to the company's purpose: "We shape the future of real estate for a better world." The company is committed to assessing both business and societal impacts across the three issue areas of its sustainability programme: "climate action, healthy spaces and inclusive places".

The company reports against a range of sustainability frameworks, including GRI, the UN's SDGs, SASB, TCFD and the Forum's SCMs. It is on CDP's A List for climate change leadership and action and was voted America's best employer for diversity by Forbes in 2021.

In its 2021 global sustainability report, JLL disclosed against the full set of Forum core metrics and also some expanded metrics that explore impacts and outcomes. In the US, the company issues an integrated report that goes beyond simply reporting metrics to analyse how financial and non-financial activities can be integrated to create value more broadly.

For this case study, we interviewed: Richard Batten, Chief Sustainability Officer; Tom Branczik, ESG Reporting Lead, Global Sustainability; Dan Eddy, Data Analyst, Global Sustainability; and Tom Roundell Greene, Senior Director, Global Sustainability.

Key takeaways

- JLL's rationale for sustainability reporting is driven by the opportunity it sees to help the real estate sector reduce the 40% share of global carbon emissions for which the built environment is responsible. The expectations of shareholders, clients and employees are also shaping the company's reporting.

- Having reported on climate for 12 years, JLL is exploring ways to capture the societal and business impacts of its sustainability programme, but there are no consistent or relevant frameworks available.

- The company is tackling the challenge of reporting Scope 3 emissions by collaborating with its clients and building a shared data platform on which its value chain can input data on their actual emissions.

- Transparency and accountability are equally important: JLL recently engaged its global internal audit team to review its sustainability reporting process. As a result, the company has developed a robust governance structure, with clear accountability relating to data verification, approval and sign-off, boosting stakeholder confidence in the reporting process.

- Increasing regulation may, ironically, lead to less transparency, as companies seek to report only data that is legally required or that can be guaranteed as 100% accurate. Companies need to work hard to communicate the benefits of transparency even when the data is imperfect.
- JLL's advice to fellow practitioners is: focus on good governance, process, controls and data quality as these will help you deliver impact and ensure you have the information you need to be compliant.
- JLL's request for standard-setters is to offer more guidance on environmental impact metrics and methodologies, and above all to ensure greater consistency and comparability among reporting frameworks, to reduce the burden on companies.
- For JLL, the added value of the Forum's metrics is that they help guide the company to report in new areas, especially in terms of biodiversity and environmental impacts.

Rationale for reporting: optimize the huge opportunity to help clients tackle climate change

As a real estate company, JLL is acutely aware that the built environment is responsible for almost 40% of global carbon emissions, according to the International Energy Agency (IEA). Nearly 98% of JLL's total carbon footprint arises from the spaces its clients occupy. "We manage 1,200 times the space we occupy ourselves," says Richard Batten, the company's Chief Sustainability Officer. "This gives us massive reach to shape the future of real estate for the better," he adds. For JLL, carbon emissions are its most material metric, and the company has set ambitious targets: 100% net-zero carbon emissions by 2030 within its own office space, and net zero across its entire value chain by 2040. For this 2040 target, JLL is aiming to decarbonize by 95%, allowing just 5% of emissions to be offset – aligning itself on a 1.5°C warming pathway as defined by the Science Based Targets initiative (SBTi).

> **We have a huge opportunity to help the real estate industry meet the challenge of net zero, and we can do that by supporting companies, communities and wider stakeholders such as cities and governments to meet their carbon goals.**
>
> Tom Branczik, ESG Reporting Lead, Global Sustainability, JLL

The company is also subject to growing expectations from three sets of stakeholders: shareholders, clients and employees. "Shareholders are now becoming more activist in the boardroom," says Batten – "they are definitely shaping some of this discussion." Clients increasingly expect JLL to participate in certain frameworks, such as CDP, EcoVadis and SBTi. Meanwhile, points out Batten, "Over 60% of our workforce are Gen Y and Z. If we want to attract and retain them, we need to prove our sustainability credentials."

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From capturing outputs to measuring societal impacts of emissions

JLL is at the forefront among its peers in terms of its climate targets and reporting. Having reported on climate for 12 years, the company is now exploring ways to capture not just outputs but also impacts.

In its global sustainability report for 2021, JLL made a public commitment to assessing its most material sustainability impacts, encompassing both "societal impacts … that positively or negatively affect the environment and society, and business impacts … that project back on JLL through risks and opportunities that affect our financial performance".

The Forum's expanded disclosures aim to tackle the issue of impact. Its metric on Paris-aligned greenhouse gas emissions targets is straightforward enough, as the SBTi can certify a company's net-zero targets. But the second part of this metric, which deals with the impact of those emissions, requires companies to disclose the "societal cost of carbon used".

This is much more challenging as there is no framework available that JLL finds relevant to its business. “We’ve been working with the Value Balancing Alliance and Harvard University on trying to measure the societal impacts of our Scope 3 emissions,” says Batten, “but there is zero consistency of approach and on how it’s going to be delivered.”

Batten wants to push even further, beyond societal impact to assessing social value. “Impact is only part of the journey – I believe we’re on a route to creating social value,” he says, “and you can’t assess value until you’ve assessed impact.”

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Solutions: collaboration, technology, transparency and accountability

As JLL seeks to push its reporting into more in-depth areas such as impact assessment and emissions across all three Scopes, solutions such as collaboration, technology, transparency and accountability begin to show their true value.

Tackling Scope 3 through collaborating with clients and sharing technology

“Given our commitment to net zero, communicating our progress across Scopes 1, 2 and 3 is absolutely essential,” says Tom Roundell Greene, Senior Director, Global Sustainability. Scope 3 is a real challenge, especially in terms of securing high-quality data sourced from actual emissions rather than estimates based on assumptions of emissions by revenue, explains Roundell Greene. To address Scope 3, managers need accurate data to establish a baseline and then prove that progress is really happening. “Getting to a level of management-quality data, where you’re able to drive and evidence reductions in Scope 3 emissions, is hard for everybody,” he says.

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JLL is tackling the Scope 3 challenge by collaborating with its clients to create new approaches to managing facilities. “We’re not the only people trying to find solutions,” says Batten, adding: “90% of our top 50 clients have carbon reduction targets similar to ours. They’re on the same journey as us, and they want us to help them.”

Technology plays a key role in improving data quality. The company has developed a live data platform called Canopy, into which both JLL and its clients can input their data. “We are including a data-gathering requirement into our contracts with clients, which will lead to a massive improvement in the quality of data,” adds Roundell Greene.

Building confidence through greater transparency, scrutiny and accountability

While technology is a huge part of the answer to getting better data, transparency is equally vital, according to Batten. “We need the transparency of information that you get from actual data – if you use revenues as a proxy, you’re not going to get the improvement you want,” he says.

Transparency also comes through closer scrutiny. JLL is enhancing third-party scrutiny of the accuracy of all its disclosures, not least because of the tightening net of mandatory reporting. “We’ve just been through a review with our global internal audit colleagues to look at our reporting process to assess how robust it is and where the risks lie in terms of inaccurate disclosures,” says Branczik. As a result, the company has developed a sound governance structure with clear accountability in terms of who takes responsibility for which aspects of data verification, approval and sign-off, as well as clarifying what particular data will be used for.

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"Our aim is to give people confidence in the information we're disclosing," says Branczik, adding: "The internal audit has been really useful, as we can now point to a robust disclosure process to give our stakeholders confidence." JLL's eventual aim is to build up non-financial reporting to the same level of assurance as financial reporting.

Impact, learning and advice

Serving clients better

For JLL, a key impact of sustainability reporting has been the opening up of possibilities to enhance the company's service proposition to its clients. "When we carry out our TCFD analysis, the growth in the importance of sustainability and the dangers ahead of us in respect of climate mean that there's an opportunity for us to help clients mitigate that climate risk going forward. That's now one of our biggest growth areas," says Batten.

Communicating the benefits of transparency

As sustainability reporting becomes more thoroughly audited and regulated, Branczik raises an interesting concern about transparency: "What I'm worried about is that, as reporting becomes mandated, there will actually be less transparency. People are risk-averse – they don't want to put out more than they have to. So, if the minimum legal requirement is to disclose X, then companies will just disclose X, no more no less." Finance and legal functions, for example, will not accept the risk of creating any liability.

While Branczik is clear that it is vital to publish reliable information, he also says that "a lot of work needs to be done internally to communicate the benefits of transparency". The issue becomes more acute when reporting on impacts. "Understanding and measuring our impact is an inherently complex undertaking, given the absence of established norms," the company states in its 2021 global sustainability report, which adds: "However, we will not allow the pursuit of perfection to impede our progress."

Advice to fellow practitioners

"You can't disclose what you're not doing," says Roundell Greene. Therefore, companies should view reporting as a way to improve upon their execution of sustainability targets. And the better you report, the better you can deliver. "On the reporting side, good governance, process, controls and data quality are the key things," he says, adding: "they'll help you deliver impact and help ensure you have the information you need to be compliant." Batten, meanwhile, highlights the importance of agility: "Be open to change," he advises, "because the market is changing quickly."

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Advice to standard-setters

A specific request from JLL to standard-setters is for more guidance on the best environmental impact metrics and methodologies to use for JLL's type of business. For example, the processes that the TNFD and SBTi are going through to define indicators on nature tend to focus on manufacturing and consumer goods companies with big supply chains. This approach is not relevant for JLL, a professional services business whose greatest influence is through its clients. "We are often lumped into the wrong industry sector by ratings agencies and asked to disclose information that's not relevant or material to us," says Branczik.

Above all, however, JLL's request to standard-setters is to ensure greater consistency and comparability between sustainability reporting frameworks, to reduce the burden on companies. "We must ensure that the sustainability reporting output of different companies is comparable," says Branczik, who adds that any move to consolidate the different reporting frameworks would be a "real game-changer".

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Added value of the Forum's Stakeholder Capitalism Metrics

For JLL, the comparability and consistency of data points being disclosed by companies is absolutely vital. Having a clear set of disclosures common to all businesses – as provided by the Stakeholder Capitalism Metrics – is hugely valuable, says Roundell Greene, who adds: "The expertise that comes with the involvement of the Big Four [Deloitte, EY, KPMG and PwC], plus the Forum's profile, make these metrics very credible."

JLL's reporting on climate and the environment is the company's most robust set of sustainability metrics. Within this area, the Forum's Planet metrics prompted JLL to look at land use and ecological sustainability in more detail. "We knew we wanted to start saying something about biodiversity, but the Forum's metrics pointed us in the right direction," says Branczik.

When JLL looked at the Forum's core metric on water consumption and withdrawal in water-stressed areas, it led the company to encourage its teams and clients to agree water management plans and targets. Such a metric may even influence where the company rents office space in the future.

JLL also appreciates the Forum's expanded set of metrics: "They definitely push us to do more than the other reporting frameworks," says Branczik, who adds: "They're much less output-driven and more impact-driven, both the planet and people-centric measures. That has real value." Nevertheless, JLL believes companies still need further guidance on the best methodologies to start reporting on impacts.

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