

ESG Trends in Construction

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Introduction

Construction firms are embedding Environmental, Social and Governance (ESG) principles into their planning and operations, adopting a range of approaches with varying degrees of success. This article sets out three observations about how ESG will be adopted and evolve in the construction industry, and how this could improve the impact of the industry on the environment, community, and workforce.

Standardization and commoditization of ESG measurement

In the coming year, there is likely to be a more universal or standardized set of ESG measures and reporting used across the construction industry with a commoditization of measurement tools.¹ That said, there will also likely be new local, regional, and global policies and pronouncements that will change ESG measurement and reporting requirements, so companies will need to be flexible and responsive.

In some countries standardization will be brought about through regulation, such as the UK mandating the use of the Taskforce on Climate-Related Financial Disclosures (TCFD) framework.² Leading companies are able to adopt and derive value for TCFD and other frameworks by conducting scenario analysis across their portfolio.

Standards vary by country, for instance, Building Research Establishment Environmental Assessment Method (BREEAM), WELL Building and WiredScore are all used to certify 'green credentials'.³ Construction companies operating in multiple geographies should remain vigilant of the evolving regulatory environments in which they operate while also taking early

measures and adopting the right frameworks to bolster investor, customer, government and public confidence.

Over the next year, many more construction companies are anticipated to improve how they demonstrate their positive impact on the community, by implementing metrics and measures of local workforce development, education, and workforce diversity.

Integrating ESG into early project planning

In the tendering and early planning stages of projects, construction companies and their supply chains, will be expected to demonstrate their ESG credentials (credible and assured measurements as well as progress towards goals) and innovation. To make progress in this area, and to innovate at scale, construction companies will need to focus heavily on nurturing and exploiting a highly innovative mindset, workforce and supply chain.

Meaningful ESG-related innovations and improvements are most effective when developed in the early phases of project planning, so it is likely that this stage will take longer and require new capabilities. Many construction companies are already using 'carbon tools' within their Environmental Impact Assessments to measure carbon emissions across project delivery, including the use of plant, transportation methods, welfare facilities and the sourcing and delivery of materials.

In all likelihood, there will be an increase in the use of digital twins and scenario modelling, at scale, to determine the effect of the different decarbonization solutions on ESG results, and to choose optimal green solutions.

Workforce wellbeing

When considering health and safety in the construction industry, the focus has primarily been on physical safety. However, in the last five years, mental health and well-being risks have increased significantly and have become the most prevalent causes of illness and injury.^{4,5}

Firms are tackling these matters with different approaches aimed at improving overall well-being. One example influencing the supply chain is to reduce the use of 'gig-economy' contracts⁶ and provide more certainty in terms of work hours to avoid worker exhaustion from long hours. The provision of canteens with healthier options aims to encourage workers to eat less convenience food and foster a sense of community among the workforce.⁷ Firms are expected to manage well-being as they do other more traditional health and safety issues, including partnering with mental health charities and services⁸ to normalize the conversation about mental health and provide support for those who need it at the earliest instance.

Sustaining the industry

The construction industry is facing ever-increasing scrutiny of its ESG record. To remain competitive and as part of building a better tomorrow, construction companies and projects will need to prioritize and innovate how they identify, plan, deliver and evidence ESG strategies that not only comply with regulatory requirements and investor demands, but also benefit the communities they operate in.



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