COMPANY REPORT Alan McGill and Lorrie Headley

Property leads pack in reporting excellence

The issue of trust in companies and institutions has been at the forefront of media debate in recent months.

Last month's PWC Building Public Trust Awards focused on what FTSE 350 companies are doing in this area, and real estate companies are clearly in the vanguard of those making great strides. Land Securities and Great Portland Estates were two of just three "highly commended" companies in the FTSE 350 for overall excellence in corporate reporting.

Across the real estate sector, there has been growing recognition from our clients that sustainability and corporate social responsibility really matter to a range of stakeholders.

Corporate reporting has become a critical tool for all listed and private companies trying to rebuild and retain trust – at a time when investors, regulators and accountants are debating the usefulness of corporate reporting and audit reform. Companies are acutely aware that communicating how they make a positive impact is beneficial to their reputation and ability to generate value in the long term.

There has been an increase in economically sensible decisions around corporate reporting, and companies now have a better understanding of how to create value.

Although it does not directly impact its own costs, a company's measurement and reporting of energy and water usage, waste and greenhouse gas emissions can help to identify savings that can be passed on to occupiers, which helps to attract and retain tenants and improve lease terms.

Companies are also starting to look at how they create value beyond individual assets.

British Land, for example, is using innovative reporting to demonstrate how a better understanding of its broader impact supports and enhances its business strategy. Its socio-economic impact assessment goes to the heart of the government's growth agenda and provides evidence that private sector-led investment in construction activity in London can generate rapid economic activity – not only in the capital, but across the UK regions as well.

Property companies are beginning to make radical changes to their reporting, looking across their value chain and embracing this change. Companies who embrace this early will generate not just trust, but commercial success.

Alan McGill is a partner in PWC's sustainability and climate change practice. Lorrie Headley is real estate director at PWC

Need to know: performance metrics are outdated

Managers need to focus on the workplace, not just cost cutting. By **Tim Oldman**

Just 52% of 12,000 employees surveyed say their workplace enables them to work productively, show data collated this month by Leesman, the index that measures workplace satisfaction and effectiveness (box, right).

As organisations scrutinise how their commercial real estate is performing, many are trying to achieve "spaceless growth" – increasing the number of people in the same amount of space. They need to find savings in operating costs and introduce more open-plan offices, increased density and desk sharing.

Some of this is logical, but the really smart workplace strategists know that saving money is not done just by squeezing more bodies into an office, or trimming maintenance schedules.

Cutting occupancy costs per desk by 5% might save employers £500 a year per desk. But service sector employees typically bring in five or six times their cost, so a mere 1% enhancement in their personal productivity could add £2,500 additional annual revenue.

Creating tangible value in the workplace is rooted in providing a more effective working environment – but property professionals and employers are obsessed with traditional metrics.

Workplace strategy is fundamental because, as our data show, effective workplaces deliver greater employee sense of productivity. Those that manage assets such as real estate should also remember to invest in and value their own employees.

Indeed, built environment management and costs consultancy RLF Optima claims in its forthcoming white paper that we are missing the bigger picture and losing out on profits because of a short-term obsession with cost cutting. It argues that existing workplace performance metrics are outdated and flawed.

The principal workplace corporate cost is not the built asset – it is the workforce. To get more for less from workplaces and achieve spaceless growth, companies need new measurement systems. They must shift the focus away from building stock to employee productivity. ■

Employees' workplace satisfaction

44% do not agree that the design of their workplace enables them to work productively
51% agree they are proud to bring visitors to their workplace
57% that have a non-allocated desk agree this enables them to work productively
33% rank video conferencing as important but just **49%** are satisfied this is supported
80% cite telephone conversations as an important workplace activity
75% feel learning from others is a supported workplace activity
81% rank natural light as an important part of an effective workplace.

Tim Oldman is managing director of Leesman