CB Richard Ellis v British Land

Small is still beautiful

By Kathee Rebernak and Kyle Whitaker

British Land may be smaller than CB Richard Ellis, the world's largest property services firm, but it has a much stronger approach to corporate responsibility

As the world's largest property services firm, Los Angeles-based CB Richard Ellis concluded sales and lease transactions worth $264bn (£167bn) in 2007. Its smaller rival British Land, an owner, investor, and manager of properties in the UK and Europe, has a portfolio of properties valued at £13.5bn. Despite its smaller size, British Land maintains a stature superior to its American counterpart when it comes to corporate responsibility reporting.

In its sixth annual corporate responsibility report, 2007-08, British Land delivers a thorough review of its environmental and social commitments, and grounds its message in thoughtful feedback from stakeholders.

CBRE, in contrast, sets an ambitious, forward-looking agenda in its 2007 corporate responsibility report, its first. Readers will have to wait a year, if not more, to find out if the real-estate giant can deliver on its promises.

Taking a conventional approach to reporting, CBRE focuses on: governance, ethics and compliance; environmental stewardship, employee relations and diversity; health and safety; and community involvement and philanthropy. The report self-declares a Global Reporting Initiative application level of C but skimps on meaty indicators in favour of the qualitative, aspirational, and often vague language of the novice reporter.

CBRE states that it has sought feedback from stakeholders and that such feedback has informed its selection of key issues, but there is little mention of specific stakeholder concerns. While CBRE's report is not assured, the company says it is "exploring independent assurance".

And while its report highlights such challenges as climate change and diversity, CBRE does not reveal the "specific methods or processes used for assessing materiality" as required by the GRI. Therefore, it is difficult to tell how the company assesses materiality or the extent to which CBRE's management of corporate responsibility issues is informed by stakeholder concerns.

British Land's approach to corporate responsibility and reporting is also informed by stakeholder dialogue, but the message is far more self-confident and home-grown. British Land dispenses with internationally recognised standards such as the GRI and the United Nations Global Compact. Instead it seeks independent assurance, and depends on the participation of stakeholders including employees, suppliers, investors, occupiers, and leading experts, to maintain credibility.

Embed ethics

Among the key points arising from British Land's transparent stakeholder dialogue process is the need to embed corporate responsibility within the company's business units.

On one hand, this highlights British Land's strength: the tone driving corporate responsibility comes from the top of the organisation. The departure of Stephen Hester, former chief executive and executive chairman – now at Royal Bank of Scotland – should have little effect on British Land's approach to ethics. Other executive team members are highly involved in the company's management of corporate responsibility.

On the other hand, that British Land has actively

Snapshot: British Land Company

Corporate Responsibility Report 2007-08

Follows GRI? No
Assured? Yes
Materiality analysis? Not stated, but materiality discussed.
Goals? Yes
Targets? Yes
Stakeholder input? Yes
Seeks feedback? Yes
Key strength: Discussion of carbon emissions is robust and accessible.
Chief weakness: Lacks a human quality; with the theme "Building together", British Land must connect readers to employees and other stakeholders.
Pleasant surprise: Form supports function; web design is clean and effective, avoids overpowering the message.

British Land must translate its stakeholder views into practice sought stakeholder feedback means it must translate its stakeholder views into practice. A failure to do so would erode the trust and confidence that the company has worked so hard to attain.

British Land addresses carbon dioxide emissions early and aggressively in the report, and rightly so. Carbon is the single most important issue facing the UK's property industry, because – as the report points out – buildings are responsible for more than half of all CO2 emissions in the UK. And as a provider of 3.3 million square metres of space to occupiers in the UK and western Europe, British Land and its stakeholders have good reason for concern. British Land says its goal is to attain carbon neutrality from 2008-09 by reducing total energy use, increasing the use of renewable energy, and offsetting the balance of its CO2 emissions.

CBRE likewise acknowledges the impacts that buildings have on the environment. Its response is to step up its "environmental stewardship" efforts and set an ambitious goal of "carbon neutrality by 2010". While CBRE states an intent to reach its goal though energy efficiency, design, and "carbon-offset investments", it gives no guidance on what carbon neutrality means to the company or what its carbon-offset strategy entails.

British Land's commitment applies only to direct and indirect emissions that the company controls itself. It excludes occupier-managed areas of the company's portfolio and other areas where British Land has limited control. But the company's long-term goal to become carbon neutral across the occupier-managed areas of its buildings from 2020 may give readers comfort. And because British Land is further along in its understanding of its carbon footprint, its goal of carbon neutrality by 2008-09 seems more realistic than CBRE's. At the date of the report's publication, CBRE had yet to conduct a greenhouse gas inventory or establish a baseline for reducing emissions, and did not discuss what emissions were covered by its carbon-neutrality quest.

Carbon offsets will probably figure prominently for each company, but readers of both reports are left to wonder which offset strategies the companies intend to use. Until these companies' offset strategies are better defined, questions about their effectiveness and potential secondary effects will persist.

British Land avoids slogging through most of its corporate policies, and instead focuses on goals and performance. Consequently, discussions of governance and ethics, areas in which performance is often difficult to measure, are brief, performance implicit. The report highlights awards and customer survey results that may lead readers to assume that British Land observes good governance and ethical business practices, for example, a best corporate governance commendation from the UK's Investor Relations magazine. In addition, British Land properties have the longest leases (14.7 years on average) and the highest occupancy rates (99%) of the major UK property investment trusts, also suggesting high ethical standards. An ethical imperative is also implied in British Land's robust and transparent stakeholder engagement process, which helped to inform reporting themes and priorities.

For those still unconvinced, relevant policies and supporting documents are available on the corporate responsibility downloads page and throughout the broader corporate website. Perhaps in future, British Land could explicitly direct readers to documents that support its claim of good governance, as it does for most other sections of the report.

CBRE, on the other hand, devotes more than 10% of its report to ethics and governance policies and practices. This seems appropriate, given the high potential for conflicts due to CBRE's considerable size. CBRE makes much of its governance scores awarded by Institutional Shareholder Services, a proxy adviser that has a scoring system for public companies' governance practices. The company invites a non-executive employee to observe all board meetings and details board policies on items such as repricing options and the circumstances under which directors are required to resign. All this attention leaves stakeholders with the distinct impression that CBRE takes governance seriously.

More substance

CBRE has taken an important step in publishing its first report. But if it wants stakeholders to take its sustainability efforts seriously, CBRE will have to make a concerted move towards more substantive reporting. It is long past time for first-time reporters to be patted on the back for simply having made the effort; standards, guidance, tools and exemplary reports are available for the asking. In future efforts, for example, CBRE should establish specific targets for not only environmental performance but all areas of concern and should make certain it reports on the GRI indicators included in its GRI index.

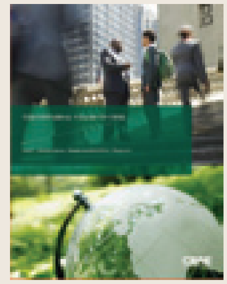
This is the second head-to-head review we have conducted in recent months that pits an inexperienced US reporter against a more seasoned UK firm. It is becoming clear that US companies, by and large, still have some catching up to do in reporting.

The gap highlights an important difference in the two business cultures. Whereas it seems British executives are more willing to embrace corporate responsibility and transparency on faith, their American counterparts more often than not want to understand fully the risks and calculate the return on investment before engaging in sustainability efforts or more transparent reporting. But does this approach make economic sense?

US firms might look to Wal-Mart for an answer. The retailer pushed its sustainability agenda forward for several years despite lacklustre growth; now its efforts are being rewarded. A wide transatlantic gap remains, however, and to close it, US firms will need to embrace a more proactive approach to sustainability and reporting. ■

Snapshot: CB Richard Ellis

2007 Corporate Responsibility Report



Follows GRI? Yes, Application Level C (though several indicators included in index not addressed).
Assured? No
Materiality analysis? Yes, but methodology not discussed.
Goals? Yes
Targets? Very few
Stakeholder input? Yes
Seeks feedback? Yes
Key strength: Thorough discussion of governance
Chief weakness Little discussion of targets beyond "carbon neutrality".
Surprise: Goal of carbon neutrality and reduction goals, but without established baseline.

It is long past time for first-time reporters to be patted on the back for simply having made the effort

Kathee Rebernak is the founder and CEO of Framework:CR.
krebernak@frameworkCR.com

Kyle Whitaker is an analyst at Framework:CR.
kwhitaker@frameworkCR.com

www.frameworkCR.com