



Grant Thornton

An instinct for growth™

Innovative

Sustainability

Sustainability touches every aspect of business; it addresses costs, manages risk, creates new opportunities, affects behaviours and drives long term profitability. The active management of economic, environmental and social impacts creates a business with a vision for the long term.





Sustainability affects all businesses; in the highly competitive Property and Construction sector it continues to increase in importance driven by the resulting cost savings and a commitment to sustainable supply chains. No longer an add on, sustainability is increasingly recognised as a crucial issue owned at the most senior levels, with the CEO or FD regularly taking responsibility.

We have identified four key areas where this will impact in the Property and Construction sector:

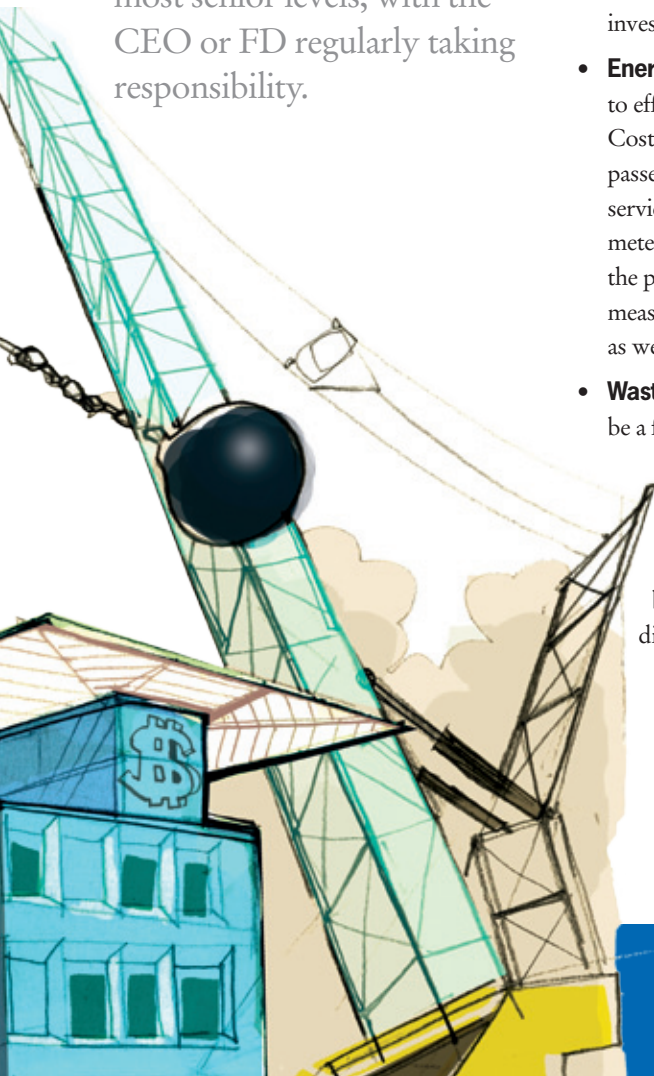
- **Buildings ratings** - BREEAM and other ratings provide a useful tool to benchmark sustainability credentials. Whilst building ratings alone do not deliver sustainable buildings they can enable better tracking and evaluation of financial performance
- **Flexibility** – buildings that are adaptable and suitably located are more inherently sustainable as they typically have longer useful lives. We see this as an important future determinant of asset value, as such buildings typically require less investment to cope with changing use
- **Energy and water efficiency** is key to effective property management. Cost savings from efficiencies can be passed on to occupiers via reductions in service charges. The installation of smart meters and water saving devices across the property portfolio can improve measurement and monitoring capabilities as well as reducing the carbon footprint
- **Waste management** - there needs to be a focus on managing waste arising from Property and Construction activities. As the cost of disposing of waste and landfill outstrips the cost of recycling or reuse, the business case for alternative waste disposal routes is clear.

Case study:

Newcastle “Warm Up North” project

A consortium of local authorities covering the bulk of the North East of England are looking to appoint a strategic partner to implement an extensive programme of retrofit energy efficiency measures to domestic properties.

Grant Thornton provided financial and commercial advice to a consortium including EDF Energy plc, Keepmoat and Gentoo to bid for this project that will provide an economic, social and environmental boost to the region through the delivery of jobs, energy savings and emissions reductions.



Grant Thornton's approach to Sustainability focuses on three key elements; Visioning – developing the core strategy for a sustainable business pathway; Embedding – driving sustainability throughout operations and management systems; Reporting – capturing the metrics and data and understanding how to utilise the information financially, strategically, and communicate it successfully to all stakeholders.

Visioning

Developing a sustainable vision in a challenging economic environment is tough; successful organisations lead the sustainability agenda looking to the long term, understanding it as an opportunity to think creatively about their businesses at every operational level, and generate real benefits reflected in performance enhancement and profitability. So how can your business adapt? Key to this transformation will be an understanding of what the integration of sustainable practice can bring to business with sustainability embedded in corporate strategy.

Case study: The Crown Estates

Grant Thornton facilitated long term thinking on sustainability and developing renewables projects on its rural estate. We undertook a strategic review, looking at technology options, specific locations, deliverability, project economics and potential partnering structures for leveraging investment into its estate.

Embedding

With improved resource management and enhanced understanding, Grant Thornton can help you generate additional revenue whilst reducing cost through minimising waste, improving operational efficiency and increasing productivity. To embed sustainability effectively throughout operations there are a number of key principles including:

- **Sustainability leadership** - the board need to establish a formalised sustainability agenda with champions throughout the company to drive initiatives that can embed sustainability in each business area
- **Stakeholder engagement** - an inclusive and responsive approach with shareholders, customers, employees, suppliers, regulators, government and the local community can help inform the programme and drive innovation.
- **Performance management** - Key Performance Indicators (KPIs) need to be aligned to the strategic objectives of the organisation. By knowing what to measure, how to measure it and how to benchmark your performance, you can differentiate yourself from your competitors and further embed sustainability.

Reporting

What gets measured gets managed and organisations that can measure key environmental, social and economic data are better equipped to manage performance and comply with regulations. Listed companies will be required to report on their carbon emissions in their corporate reporting with effect from accounting years ending after 1 October 2013 and it is likely that this change will reverberate across other business with customers and suppliers demanding more information. The changes in reporting requirements will enhance your organisation's transparency and overall impact on communities and there are benefits to develop brand awareness and corporate profile. For investment and due diligence decisions reporting adds considerable value and clarity.

As well as external reporting changes, the focus on carbon generates an opportunity for companies to really understand where they can address energy costs via a more sustainable business strategy. Our recently published Sustainable Businesses review demonstrates that one of the key drivers for embedding sustainability is economic outcome, and the reporting agenda will aid resource reduction by its focus on one of the major cost centres for any organisation – its energy bill.



How can we help?

Grant Thornton's Property and Construction team supports our clients in both their strategic thinking and operational effectiveness. Deep sector and market knowledge is needed to understand what lies ahead, and how to advise on the sustainability opportunities facing an organisation. In Grant Thornton we work seamlessly across all our advisory teams to provide an integrated approach with service line specialists in corporate finance, business risk, accounting disclosure and taxation who are dedicated to sustainability.

Who to contact

If you would like to find out more about Grant Thornton's Sustainability Advisory services in Property and Construction please contact:



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