

# Sustainability

We are committed to being a responsible business. For us, that means investing for the long term, continuing to support our local communities and operating in an environmentally sustainable manner.

At the heart of our sustainability strategy is the long held policy of reducing the environmental impact of our operations by extending the useful economic lives of our buildings, through refurbishment, change of use and reconfiguration. This enables us to protect the unique heritage of the West End whilst improving the energy efficiency of our buildings and minimising the carbon emissions and waste that inevitably come with new construction.

Our corporate values recognise the importance of being community-minded. As a responsible, long-term investor in our areas, being a good neighbour and focusing on local issues is essential. We work with local charities and not-for-profit organisations to help them address these challenges. By partnering with grassroots operations, we can rely on their expertise to maximise the value of our support.



As a society, we're at a crossroads for sustainability. The impact of climate change, biodiversity loss and social inequality is being felt across the world. In response, governments, communities and businesses are taking action.

As a responsible business, we are committed to making a positive impact. This is the right thing to do for our planet, our stakeholders and our business.

We utilise the full reach of our operations, our influence over partner organisations and the unique profile of our villages to achieve meaningful environmental and social outcomes. We believe that small actions add up and through our relationships we can have more impact than acting alone.

With much achieved to date, in 2021, we will take our sustainability aspirations to the next level. We will commit our business to long-term targets on carbon emissions and to continue working with our partners to make progress against the UN Sustainable Development Goals (SDGs).

As the demand for ethical consumption grows, we want to be the destination of choice for sustainable businesses in the West End. The pandemic has had a serious impact on our business, but our commitment to sustainability remains as strong as ever.

## UN Sustainable Development Goals and Global Compact



We support the ten principles of the UN Global Compact on human rights, labour, environment and anti-corruption. We became a signatory in February 2015 and have since annually reviewed and updated our Sustainability Policy to reflect our commitment. We have identified the Sustainable Development Goals that are most relevant to our business,

integrating them into our sustainability policies and targets. Our Sustainability Data Report, which is available on our website, contains our UN Global Compact Communication on Progress.



## Embedding sustainability in our business

Sustainability is embedded into our business and considered in major strategic and operational decisions. To continually improve environmental performance across our operations, we set annual targets and communicate our sustainability policies to our wide range of advisors, suppliers, occupiers and stakeholders. We believe that good governance also includes transparency and our Sustainability Policy is available on our website. This policy details our minimum expectations, our reporting requirements, and sets out annual performance including energy, carbon, water, waste and material use.

This year, we recruited a Head of Sustainability, who is responsible for setting and coordinating our strategy. We have a Sustainability Committee, chaired by our CEO, at which staff from across the business consider all aspects of sustainability and review our policies. Our external sustainability advisor attends committee meetings to provide independent review and analysis.

Community engagement activities are coordinated by the Community Investment Committee, ensuring that we have a fair and consistent approach to the allocation of funds and in-kind support.

Our sustainability strategy, policies, action plan and overall performance are reviewed and considered annually by the Board. Progress against the strategy and material changes to sustainability related risks, including climate change, are considered by the Risk Committee and the Board.

+ [Community activities: pages 36 and 37](#)

+ [Environmental activities: page 29](#)

## Sustainability Data Report

A full update of progress against our sustainability targets and associated data for the year ended 30 September 2020 can be found in our Sustainability Data Report which is available on our website.

## Industry recognition and awards

We participate in a range of benchmarks to help guide our sustainability strategy and provide independent verification of our progress.



We have increased our scores with FTSE4Good (95th percentile) and maintained our EPRA Gold status for a 3rd year and CDP score (B). We are also pleased that our sustainability performance has been recognised by our inclusion on the European Dow Jones Sustainability Index in 2020, one of only five companies in the UK Real Estate sector.

We have seen an overall reduction in our GRESB score. This is due mainly to changes in GRESB scoring methodology and the challenge of submitting asset level data now required across our portfolio of 600 buildings.

## Industry collaboration

We continue to actively participate in a range of industry groups, to share experiences and promote the adoption of best practice for sustainable real estate.

Principal industry memberships include the Better Buildings Partnership, London Benchmarking Group and the Westminster Property Association. We also continue to be an active member of the Wild West End initiative, a partnership with neighbouring estates and business groups to improve biodiversity across the West End.

We continue to build partnerships with our occupiers, including initiatives like the Blue Turtle scheme, through which more than 35 of our Carnaby restaurants and bars pledged to reduce single use plastic and their impact on ocean health.



## Modern Slavery and human rights

We have policies in place which address human rights, modern slavery and the ethical conduct of our business. Our sustainability policies and our Supplier Code of Conduct are provided to our key suppliers, who are required to adhere to the same high standards we set for ourselves. We have signed up to the Living Wage Foundation and require that workers in our supply chain are paid at least a London Living Wage. Our Modern Slavery Statement, updated in January 2020, is available on our website.

## Health and Safety

Our Board has overall responsibility for health and safety. In our refurbishment projects, responsibility for health and safety is identified in all pre-tender documentation and is monitored by site and project managers. Managing agents oversee day-to-day health and safety matters throughout the portfolio. There were no reportable health and safety incidents in the portfolio during the year. The accident frequency rate for employees was zero (2019: zero) and there were no health and safety prosecutions, enforcement actions or fatalities.

## Our material issues

Our approach to sustainability is based on a clear understanding of the issues that are most relevant to our stakeholders and an appreciation of the environmental and social impacts of our operations.

During 2020, we undertook a further review of our sustainability priorities. This initial exercise comprised staff interviews, desktop analysis and conversations with our contractors and managing agents. The research highlighted several key priorities:

- Continue with our community engagement, focusing on young people and our local communities in Westminster and Camden through grassroots organisations.
- Continue our policy of protecting and re-using buildings to maintain the heritage of our villages whilst minimising carbon emissions.
- Set ambitious targets to reduce our carbon emissions (operational and embodied) and continue to improve the energy efficiency of our portfolio.
- Clarify and clearly communicate our exposure to climate risks.
- Continue to increase the area of green space across our portfolio and work with peers through the Wild West End.
- Engage with our occupiers and supply chain and use the public profile of our villages to promote sustainability.

In 2021 we will continue to develop our materiality analysis, ensuring that our sustainability strategy is aligned with the needs of our business and expectations of our stakeholders.

# Environment

Our most significant impacts on the environment are primarily from the day-to-day operation of our buildings but also from our refurbishment projects.



Our environmental strategy is built on the principle of extending the useful lives of our heritage buildings. Re-using and enhancing existing buildings, rather than demolition and redevelopment, is fundamentally the most sustainable approach; increasing energy efficiency whilst avoiding carbon emissions and use of materials associated with new construction. Our recent refurbishment project at 50 Marshall Street, described on page 30, exemplifies this approach.

Through our programme of low carbon refurbishments, we preserve our buildings, protect the character of our areas and increase biodiverse green space.

## Performance update

We have continued to make good progress against our environmental targets in a year that has inevitably been significantly impacted by the Covid-19 pandemic. A comprehensive report on our sustainability performance can be found in our Sustainability Data Report on our website.

## BREEAM

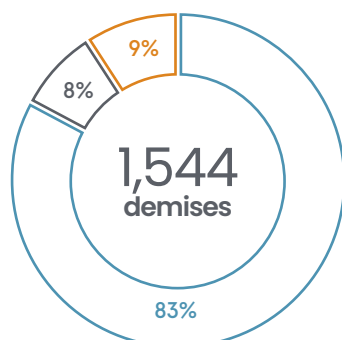
In order to meet environmental standards for good building design and operation, we follow BREEAM (Building Research Establishment Environmental Assessment Method) principles when refurbishing a building. For all refurbishment projects with a value over £1 million, we aim to achieve a minimum BREEAM certification of Very Good. Since we introduced this requirement, we have had 20 schemes certified, extending to approximately 10% of the portfolio.

## EPCs

All buildings, other than listed buildings, are required to have an Energy Performance Certificate (EPC) to demonstrate their efficiency. Under the Minimum Energy Efficiency Standards (MEES) regulations, all demised areas are required to have an EPC of grade E or above.

As at 30 September 2020, 83% of properties were A to E grade (c. 1,278 demises), an increase from 81% last year. All our residential properties now satisfy the MEES regulations. A small number of properties are exempted either because the buildings are listed or the costs of doing the works are prohibitive and would be too disruptive to occupiers. For commercial properties, there is a requirement that all properties should be at least a grade E by 2023. As part of the ongoing refurbishment programme, when they become vacant, we will undertake works to improve their ratings or we will work with tenants to meet the requirements of the regulations.

- A-E
- F&G
- Unassessed



## Energy, water and greenhouse gases

Our direct energy consumption is relatively small as it only encompasses the common areas of our buildings. On a like-for-like basis, electricity consumption has dropped by 16% during the year, continuing our recent downward trend. This is due, in part, to the impact of our programme of refurbishments such as the installation of low energy lighting across the portfolio, but also reflects a reduction in usage as Covid-19 has limited building occupation during the year.

We continue to purchase electricity sourced from renewables across all of our wholly-owned portfolio, including our Carnaby Christmas decorations. Excluding the impact of purchasing renewable electricity, we have still seen our greenhouse gas (GHG) emissions intensity drop by 7.7% from the previous year. These emissions relate to our direct combustion of gas, refrigerant losses (scope 1) and purchased electricity (scope 2). Further details are included in our energy and carbon statement on pages 116 and 117.

Our water consumption only relates to common parts and remains relatively low. Overall consumption has reduced by 24% during the year, much of which can be attributed to reduced occupation of our space during the pandemic.

- 100% renewable energy for our wholly-owned portfolio**
- 11% reduction in absolute electricity use**
- 7.7% reduction in carbon emissions intensity**

## Waste

The total volume of waste we collect across our portfolio has reduced by 42%, primarily due to lower footfall attributable to Covid-19 restrictions. However, the percentage of waste recycled has reduced by 3%, most likely as a result of single-use products, such as coffee cups, making up a relatively larger proportion of waste in the year.

The amount of waste from refurbishment projects is minimised by reusing materials whenever possible. Where this is not feasible, material is sent to waste transfer stations which operate a zero waste to landfill policy, where possible, achieving a combined total score of 88% diverted from landfill. This year, the majority of waste sent to landfill came from our 72 Broadwick Street scheme, which had an element of contaminated waste material.

- 42% reduction in waste**

## Valuing natural resources

We significantly reduce our environmental impact by minimising the use of new materials in our refurbishment projects and responsibly sourcing, when new material is required. 98% of our timber is from sustainably certified sources and the remaining small amount is sourced in line with EU Timber Regulations.

Retaining and reusing buildings' façades and primary structures is an important feature of our refurbishment schemes. During the year ended 30 September 2020, we achieved over 85% retention and reuse, across our schemes.

A full breakdown of our environmental impact can be found in the Sustainability Data Report on our website.

## Action on climate change

We recognise the need to take urgent action on climate change, setting ambitious targets for reducing our carbon emissions and making sure that our business is resilient to climate-related risks.

The built environment accounts for approximately 40% of the UK's carbon emissions and will play a significant role in the UK meeting its 2050 net zero carbon target and commitments under the Paris Agreement. It is also estimated that over 80% of current buildings will still be in use in 2050, and many of our buildings have been standing more than 150 years already. Therefore, the low carbon retrofit of current buildings will play a critical part in the process.

We have set annual carbon reduction targets for our own direct emissions (scope 1 & 2) and are calculating longer term targets (10 years) that reflect the emissions reductions that scientists agree are needed to limit the worst impacts of climate change. These are referred to as being 'science based' and we have submitted our targets to the Science Based Targets Initiative (SBTI) for external validation.

We are continuing to improve the energy efficiency of our buildings and have the opportunity to support and positively influence the behaviour of our occupiers and contractors. Therefore, we consider it important that our medium term targets include emissions relating to our occupiers' energy use and those attributable to our refurbishment projects. These are scope 3 emissions.

Actions on climate change we have taken to date include:

- Setting operational carbon emissions reduction targets for our portfolio.
- Establishing a comprehensive carbon emissions baseline (2019) to include tenants' energy use in our buildings.
- Purchasing renewable electricity for our own supplies. However, we don't see this as a long-term solution as it is not increasing the overall renewable energy capacity of the grid.
- A rolling programme of energy efficient retrofits. We target a minimum of BREEAM Very Good rating on all projects with a value above £1m.
- Undertaking research into the embodied carbon of a typical refurbishment project to better understand our emissions and identify reductions opportunities.
- Undertaking an initial review of our climate change risks.



## Case study: 50 Marshall Street

**Shaftesbury's approach to the preservation and enhancement of existing buildings has been demonstrated this year with the refurbishment of 50 Marshall Street, a project now close to completion.**

The building was constructed in the early 1980s, extending to 819m<sup>2</sup> over 5 storeys. The reinforced concrete frame structure had relatively small floor plates and, at an EPC rating of G, it was no longer fit for purpose as a modern space.

Working in partnership with our project manager and Architect, the original structure and much of the façade was retained, saving considerable carbon emissions and continuing to lock up carbon from the 1980s.

The floor plates were expanded and an additional floor added, along with a biodiverse green roof that will be accessible for all the occupants. The energy efficiency of the building will improve dramatically. Improved glazing and low energy lighting, along with the addition of heat pumps, will enable this all-electric, naturally ventilated building to achieve an EPC level of B. We are also targeting a minimum of BREEAM Very Good with an aspiration to increase this to Excellent as the project completes.

## Greening our portfolio

Increasing green space across our portfolio has a wide range of benefits. Aside from supporting wildlife, integrating nature can help limit the impacts of climate change, improve air quality and make the portfolio more attractive. London is home to greater breadth of wildlife than many people realise, with an estimated 14,000 species having been recorded living amongst its buildings, streets and parks. Studies also show that connecting with nature can reduce stress and boost wellbeing.

We continue to seek every opportunity to increase biodiversity across our portfolio, this year achieving a further 9% uplift in area. We have already exceeded our 5-year plan target (set in 2016), increasing biodiversity by 70% (target: 50%).



**9% annual increase in biodiversity.**



**Biodiverse space has increased 70% since 2016**

We have continued our partnership with other local landowners through the award winning Wild West End initiative. This enables us to share in best practice and play our part of creating wildlife corridors through the West End by connecting green spaces owned by different landowners. By working in partnership we can have a greater impact than working alone.

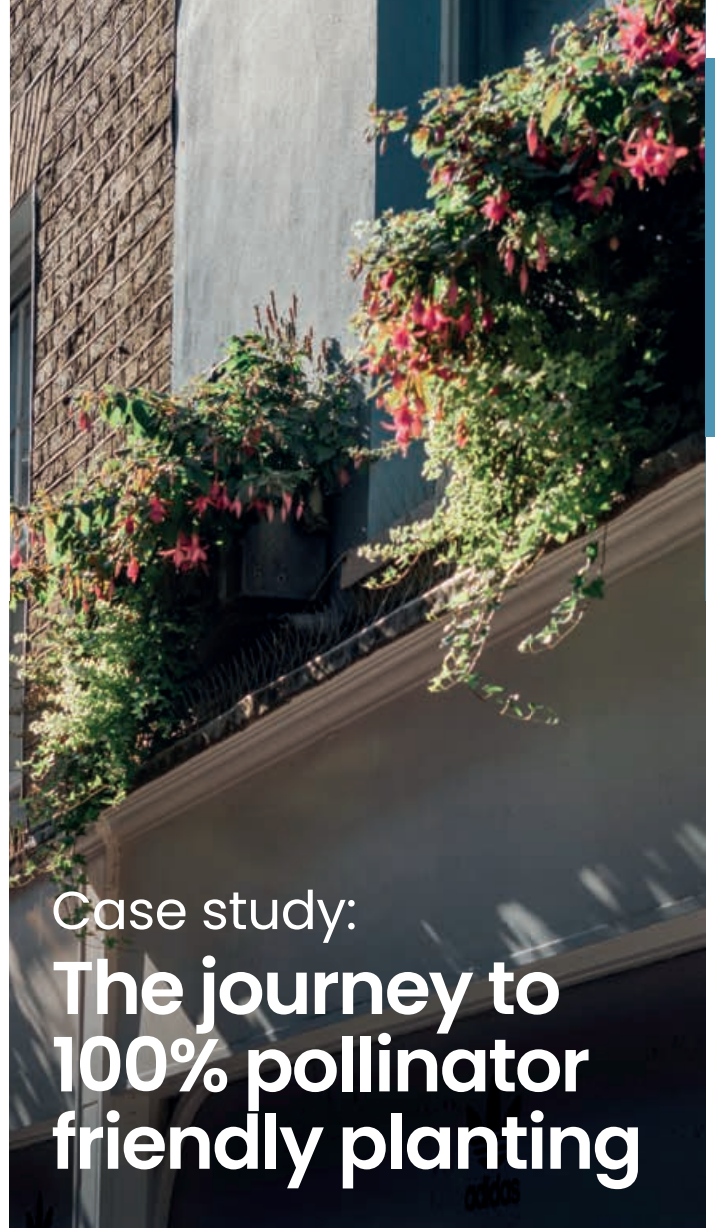
## Air quality

Improving air quality across our portfolio remains critically important to support people's health, promote green transport and encourage visitors. We have partnered with other major West End landlords to consolidate deliveries, reduce vehicle movements and improve tenant engagement. In Seven Dials, we are working with community groups and the council to reduce traffic and improve the area for walking and cycling. At the start of 2020, a workshop with local groups identified a way forward, and Camden COVID Safe Travel initiative has seen the area experience lower traffic levels and improved air quality. We will continue our proactive work with all local partners and the local community in 2021 to drive long-term improvements in air quality across London based on what we have learned during the pandemic.

## Looking ahead

In the coming year, we have a number of strategic sustainability priorities:

- Develop our sustainability strategy to reflect the unique nature of our business and the positive impact that we can have on all our stakeholders;
- Set an ambitious and transparent net zero carbon target based on a comprehensive understanding of our portfolio and our emissions reduction strategy.
- Continue our focus on building reuse and a commitment to understand more about the embodied carbon benefits of retaining buildings;
- Continue to invest in green infrastructure and set a new medium-term biodiversity target;
- Develop our climate risk reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD);
- Continue to improve data collection across our portfolio; and
- Take action to improve water management, where we have control.



## Case study: The journey to 100% pollinator friendly planting

**We are committed to protecting and increasing biodiversity across our estate, and in 2016 we set an ambitious five-year target to increase biodiverse space by 50%. The majority of our portfolio consists of buildings which sit on the public highway and many of our roofs are taken up with industrial plant, therefore we have had to think outside the box.**

Across our portfolio we have 1,245 window boxes, 124 planters and 46 hanging baskets bringing splashes of colour to the streets. Our traditional selection of plants, such as begonias, look great from the pavement but unfortunately aren't particularly attractive or beneficial to pollinating insects. As we add more habitat for insects, such as natural log piles or the bee hives located on our roof tops, we need to ensure that we also provide sufficient local food sources.

In 2019 we trialled 100% pollinator-friendly window boxes in Newburgh Street in Carnaby. The plants had a more natural colouring whilst also providing a critical food source. Based on the success of this trial, in 2020, all the window boxes, planters and hanging baskets have been planted with 100% pollinator-friendly species.

We have achieved our 5-year target early, with a 70% increase in biodiverse space since 2016. We will continue to look for new opportunities to bring nature to the streets of the West End.