

40
DERWENT
LONDON YEARS

Derwent London plc
TCFD Report 2024



Task Force on Climate-related Financial Disclosures (TCFD)

We are proactive in finding solutions to further reduce emissions and develop renewable energy sources.

TCFD compliance statement

Our disclosures in this section are consistent with the TCFD's Recommendations and Recommended Disclosures. When assessing the consistency of our disclosures, we have had due regard for all relevant guidance including the TCFD's Guidance for All Sectors.

We have adapted our disclosure to reflect some of the key aspects within the sustainability disclosure standards IFRS S1 and S2 which were published by the International Sustainability Standards Board in 2023.

We separately publish a Responsibility Report alongside our annual Report & Accounts which provides more granular, detailed climate-related data sets and performance metrics.

This can be found at www.derwentlondon.com/responsibility/publications. We structure our reporting in this way to satisfy the requirements of our various stakeholders.

TCFD directory

In line with the UK's Financial Conduct Authority Listing Rules, we have identified in the table below where our responses to the TCFD's 11 recommendations are located. We retain sufficient evidence/records to support our compliance statement ([on page 1](#)) and our data disclosures in our annual Report & Accounts and Responsibility Reports.

Governance	a) Describe the Board's oversight of climate-related risks and opportunities	→ See pages 9 and 10
	b) Describe management's role in assessing and managing climate-related risks and opportunities	→ See pages 5 to 10
Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	→ See pages 3 to 6
	b) Describe the impact of climate-related risks and opportunities on the organisation's business strategy and financial planning	→ See pages 7 and 8
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	→ See pages 3 to 6
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	→ See pages 2 to 8
	b) Describe the organisation's processes for managing climate-related risks	→ See pages 9 to 12 and page 98 in the Report & Accounts 2024
	c) Describe how processes for identifying and managing climate-related risks are integrated into the organisation's overall risk management	→ See page 2
Metrics and targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	→ See page 12 and pages 58 to 59 in the Report & Accounts 2024
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	→ See pages 58 to 59 in the Report & Accounts 2024
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	→ See page 12 and page 47 in the Report & Accounts 2024

The built environment

Climate change is a major global challenge which will impact how business operates in the future. The built environment contributes approximately 40% (including the residential sector) to the UK's overall carbon footprint. Consequently, we take a proactive approach in finding solutions to further reduce emissions and develop renewable energy sources (see pages 44 to 47 in the [Report & Accounts 2024](#)).

As part of our commitment to being a net zero carbon business by 2030, we are helping to lead the industry in supporting the government's net zero carbon ambitions and improving the carbon footprint of the built environment. We are also helping to develop best practice guidance for our sector through engagement with industry partners and organisations such as the Better Building Partnership and the British Property Federation.

Examples include:

- **Westminster City Council Sustainable City Charter:** We were early signatories to the Westminster City Council (WCC) Sustainable City Charter, which provides a framework for reducing carbon emissions from non-domestic buildings across Westminster. John Davies, our Head of Sustainability, is the Chairman of its Steering Committee.
- **Sustainable Markets Initiative (SMI) Buildings Taskforce:** Our CEO, Paul Williams, sits on the Sustainable Markets Initiative (SMI) Buildings Taskforce which is part of His Majesty King Charles III's Terra Carta. The aim of the initiative is to put nature, people and the planet at the heart of global value creation.

Engagement

We seek to actively engage with our peers, occupiers and other stakeholders to reduce energy use and carbon emissions within the built environment. If you wish to discuss our pathway to net zero carbon, our Sustainability team can be contacted via email: sustainability@derwentlondon.com

Our approach

Climate change is a material issue for our business. We deem an issue to be 'material' when it is assessed as being sufficiently important to both our business and our stakeholders. Our properties are subject to climate-related risks such as increasing temperatures which could lead to greater physical stresses. Our strategy involves the acquisition and repositioning of older properties and ongoing investment in more modern properties.

We ensure a high degree of resilience in our new developments and repositioning of older properties by setting high standards for sustainability. When managing our core income portfolio, we focus on energy and carbon reduction (as dictated by our energy intensity reduction targets), ensuring our buildings operate as efficiently as possible. Our strategy centres around the concept of continual improvement to ensure a high degree of both climate and financial resilience. Our environmental priorities are on pages 44 to 47 in the [Report & Accounts 2024](#).

Climate risk assessment

We identify and monitor climate change risks and opportunities as part of our wider risk management procedures which are overseen by the Board and its principal committees (see [pages 9 to 10](#) and 144 in the [Report & Accounts 2024](#)).

We structure our risk management framework, which is disclosed on page 164 in the [Report & Accounts 2024](#), into four stages. Our climate risk disclosures, shown on [pages 1 to 14](#), are structured in accordance with this four-stage approach.

Owing to their complex nature, the identification and assessment of climate-related risks and opportunities are undertaken with the support of third party expertise. In 2024, Willis Towers Watson (WTW) performed an updated independent climate risk assessment and scenario analysis. The scope of the assessment included our entire London-based investment portfolio (including our head office) and our Scottish portfolio.

During our climate risk assessments, short, medium and long-term time horizons were considered (see page 94 in the [Report & Accounts 2024](#)). We recognise that climate-related issues, in particular physical risks, are often (but not exclusively) linked to the medium to long-term and that the properties within our investment portfolio have a long lifespan of many decades.

The climate risk assessments sought to identify the transition and physical risks and opportunities applicable to the Group. As our business is based in and solely focused on the UK, the risks/opportunities were not considered on an international and/or segmental basis.

Through this process we identified and reviewed nearly 35 transition and physical risks and opportunities. On [page 3](#) we have disclosed the most material risks and opportunities in terms of impact, likelihood (transition risk) and exposure (physical risk). Once the risks and opportunities had been identified, three pre-defined climate scenarios were applied, where appropriate, to test the resilience of our business, strategy and financial planning.

Identification

➔ See [page 3](#)

Assessment

➔ See [page 5](#)

Monitoring

➔ See [page 9](#)

Response

➔ See [page 11](#)

Identification

Transition

Transition risks and opportunities are those which arise from the transition to a low carbon economy. We identified and assessed transition risks and opportunities, in terms of their impact and likelihood, via a facilitated workshop with cross-functional representation from across our business. As part of our risk assessment, we considered how these risks changed under a 1.5°C aligned scenario (the 'Low Carbon World'). Overall, our transition risk exposure under the 'Low Carbon World' scenario was assessed to be low to moderate in both the short-term (2030) and the medium-term (2040) (see table below).

The impact and likelihood of each identified risk was challenged in the context of the latest regulatory updates and WTW's/our experience with the real estate sector.

We also estimated the financial impact (whether to the balance sheet or income statement) and assigned high and low impact estimates to applicable cost components, depending on the effectiveness of our planned mitigating actions. Through the assessment process, we applied mitigation measures already captured within the scope of our Net Zero Carbon Pathway and those within our existing business processes, to define our residual risk profiles. Due to the strength of our mitigation strategies, the impact of these risks reduced significantly on a residual basis.

Based on our assessment, the table below shows the most material transition risks and opportunities applicable to our business.

Material transition risks and opportunities identified:

Risk rating on a residual basis	'Low Carbon World' (~1.5°C)			
	Risks		Opportunities	
	0-5 years	5-15 years	0-5 years	5-15 years
Enhanced emissions reporting requirements	Moderate	Moderate		
Change in customer demand			Moderate	Moderate
Emissions offsets	Low	Moderate		
Planning approval changes	Moderate	Moderate		
Cost of raw materials	Low	Low		
Employee attitude to climate change and sustainability	Low	Low		
Cost of low carbon emission technologies	Low	Low		

→ Risk rating / See page 92 in the [Report & Accounts 2024](#)

Physical

Physical risks were identified and assessed through an asset-by-asset exposure/susceptibility analysis using a range of acute and chronic climate hazards (risks). The scenarios were tested as at the present day, as well as for future projections under three climate scenarios (see table below). This was supplemented by a climate risk modelling analysis, undertaken by WTW, for flood and windstorm, as well as more chronic risks like heat, drought and subsidence. Physical assets were considered exposed if they are located in an area where a climate hazard may occur. The degree of exposure was defined by the severity/intensity of that hazard, with each hazard having its own intensity scale. If an exposure was deemed to be moderate or above it could have a material impact.

It should be noted that the scores were based on a global scale. For the UK, a modest increase in a chronic hazard, such as heat-stress (heatwaves), from very low to low could have wider implications on properties and infrastructure.

Our exposure to physical risks increases into the medium and long-term and as global temperatures rise. Based on our assessment, we consider windstorm and flooding to be the most material physical risks to our business. While subsidence is a material physical risk, there is no clear financial quantification model available within the data sets used.

Material physical risks and opportunities identified:

	Short-term 0-5 years		Medium-term 5-15 years		Long-term 15+ years	
	Present day	'Low Carbon World' (~1.5°C)	'Current Policies' (~2 to 3°C)	'Hot House World' (>4°C)	'Current Policies' (~2 to 3°C)	'Hot House World' (>4°C)
	Heat stress	Very low	Very low	Very low	Low	Low
Flooding	Low	Low	Low	Moderate	Moderate	Moderate
Drought	Very low	Low	Low	Low	Low	Moderate
Fire	Very low	Low	Low	Low	Low	Low
Windstorm	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
Subsidence	Moderate	Moderate	High	High	High	High



Tree planting on our Scottish land

Residual emissions offsetting

Climate risk and opportunity

As part of our Net Zero Carbon Pathway we advocate a 'reduction first, abatement last' policy for carbon management. This means we set, and look to achieve, challenging carbon reduction targets for both operational and embodied carbon. Only when we have reduced our emissions does the residual carbon get offset, thereby allowing us to move towards our net zero ambition.

Risk: Quality and cost

Over recent years the voluntary carbon market has grown significantly in terms of the level of demand created by organisations looking to move to a net zero position and consequently requiring access to carbon credits in the form of offsets. As a result, a wide variety of credits have emerged, which are typically categorised depending on whether they directly or indirectly abate carbon emissions. Those which directly abate carbon emissions are often referred to as carbon removal credits e.g. tree planting. Those which do so indirectly are referred to as avoidance credits e.g. forest protection. Pricing of removal credits is generally more expensive than for avoidance credits, in part reflecting their higher capital start up and ongoing maintenance costs.

Our preference when purchasing credits is to invest in high quality removal credits, particularly those which are nature-based (e.g. tree planting) and have co-benefits such as biodiversity enhancement and local economy support. In 2024, we forward-purchased credits to cover forecast emissions from our development pipeline to 2030. See page 45 in the [Report & Accounts 2024](#) for more detail.

Opportunity: Adoption and diversity

In addition to the voluntary carbon market, which we use to access credits from international projects, we are also looking to diversify our credit portfolio via UK-based projects, particularly within our portfolio. In 2015, we planted over 30 hectares of woodlands on our Scottish land which has already generated 127 Woodland Carbon Code verified carbon credits and are exploring opportunities to increase this further. Our ambition is to maximise our 'self-generated' offsetting to complement our international credits, increasing the transparency and robustness of our offsets portfolio.

Assessment

Of the risks identified, none were deemed likely to have an impact such that the viability of our business would be interrupted, although our cost profile could increase.

Testing our resilience

The risks and opportunities we identified were applied against at least two climate scenarios for transition risk and three for physical risk to test the resilience of our business, strategy and financial planning.

Our approach to creating scenarios followed the updated guidelines produced by the TCFD within their Guidance on Scenario Analysis for Non-Financial Companies. We set out on [page 14](#) the assumptions and risk data sources that were used in our most recent climate scenarios.

When conducting the scenario analysis, we had due regard to the following:

- **Forecasting:** scenarios are a way to imagine plausible states of the world and plan for our resilience. They are not intended as forecasts of the future.
- **Balance:** they should have aspects of quantification, but not so much that it impairs strategic thinking.
- **Challenge:** they must ensure we challenge our own thinking about our organisation and business model.
- **Certainty:** some drivers within the scenarios may be relatively certain and predictable whilst others are highly uncertain as to their development and impacts over time.
- **Breadth:** the resilience of our strategy should be investigated under multiple scenarios, including a 2°C or lower scenario.

The tables on [pages 7 and 8](#) illustrate how we have incorporated these risks and opportunities into our strategy and financial planning. Ultimately, we do not envisage having to make changes to our overall strategic approach when considering climate-related scenarios.

➔ Risk rating / See page 92 in the [Report & Accounts 2024](#)

Scenario 1

'Low Carbon World'

~1.5°C

A low temperature rise scenario as the world transitions to a low carbon economy

- Pricing of voluntary carbon offsets increases significantly.
- Increased stringency of building planning and design requirements to meet net zero targets.
- Increased demand for lower emission technologies to enable transition to a low carbon world.
- Increased cost of high carbon raw materials (e.g. steel, glass and concrete), which is further impacted by a carbon tax.
- Increased demand for enhanced climate-related disclosures.
- Climate change and sustainability remain concerns for employees.

Transition risks

Low to Moderate

Our overall risk exposure under the 'Low Carbon World' (1.5°C) scenario is low to moderate in both the short-term (2030) and the medium-term (2040). The most material transition risks identified were EPC rating requirements, planning approvals and rising emission offset prices.

Physical risk exposure

Very Low to Low

Our physical risk exposure was low under this scenario. However, our Scottish land had greater exposure to windstorm and river floods in comparison to our London portfolio.

Potential financial impacts

Moderate

In 2021, approximately £97m of capex was identified to achieve an EPC rating of B across our London commercial portfolio. This has since been revised to £86m to reflect the latest scope (change in building regulations), inflation, disposals, the acquisition of the remaining 50% interest in 50 Baker Street W1, and the work carried out to date.

Based on the International Monetary Agency's (IMA) projected carbon offset prices of £80 per tonne by 2030, the average cost to offset our residual development carbon annually would be c.£49,000 using high quality removal offsets. We have mitigated the near-term cost increases by forward-purchasing high quality, nature-based removal credits for our regeneration pipeline to 2030. However, we remain vigilant to pricing shifts in the voluntary carbon market.

Potential impact on strategy

Low

Our strategy and financial planning already reflect more stringent planning and design requirements, primarily via the introduction of our Net Zero Carbon Pathway in July 2020. We estimate that the cost impact of achieving our pathway requirements is approximately 5% to 10% of our development costs which is factored into our appraisals.

Over the long-term, we can reduce the cost impact of carbon offsets on our financial returns by extending our carbon removal projects (e.g. tree planting) on our Scottish land which will help to reduce our reliance on the voluntary carbon market. However, in this scenario we are unlikely to realise the full value for some time, given such projects take time to yield a significant number of credits.

Scenario 2

'Current Policies'

~2 to 3°C

The world follows the emissions trajectory based on current policies/practices

- Offset prices increase but not by as much as under the 'Low Carbon World' scenario.
- There are no changes to existing planning and design requirements for developments.
- No change in the demand for lower emissions technologies.
- The increase in cost of low carbon materials is anticipated to be lower than in the 'Low Carbon World' scenario.
- No discernible change in demand for enhanced climate-related disclosures.
- No change in employees' attitude to climate change and sustainability.

Transition risks

Low to Moderate

Under this scenario, the risk impact and likelihood profiles for transition risks were unchanged in comparison to the 'Low Carbon World' scenario. This is because strategically we are expecting to decarbonise in a shorter time frame compared to the current policy approach.

Physical risk exposure

Low to Moderate

Within this climate scenario there was no scientific evidence to suggest that intensity or frequency of windstorms would increase significantly, therefore the risk profile has been deemed to be broadly similar to that in the short-term. However, subsidence starts to represent a material risk in this scenario, albeit currently there is little or no data available on its impact, either financially or structurally at the asset level. All our London portfolio assets are either out of risk zones or are protected by the Thames Barrier. Four agricultural assets in our Scottish portfolio are currently exposed to very high flooding risk. Flooding consequently represents a moderate risk in this scenario.

Potential financial impacts

Low to Moderate

Generally, the transition risk cost impact is lower than in the 'Low Carbon World' scenario where demand for instruments such as offsets is greater leading to supply constraints.

Physical risk cost impact is not discernible in this scenario.

Potential impact on strategy

Low

Sustainability has always been part of our strategy. This puts us in a good position to take advantage of market and occupier demand for more sustainable spaces, and the associated higher rental premiums. There are also operational cost savings that can be achieved from reduced energy intensity of more efficient spaces.

Under this scenario, we would continue to retrofit and improve our properties in line with our net zero strategy and overall business model.

It is assumed the opportunities available on our Scottish portfolio remain the same.

Scenario 3

'Hot House World'

4°C

A high carbon scenario where the world fails to transition, and temperatures rise

- No change in EPC rating requirements.
- Current policies promoting sustainability are removed.
- No carbon pricing exists.
- Exploitation of abundant fossil fuel resources.
- Little or no development in low carbon technology.
- Adoption of resource and energy intensive lifestyles.

Transition risks

n/a

Transition risks were not modelled under this scenario. These risks only arise if the world actively attempts to transition to a low carbon economy.

Physical risk exposure

Moderate to High

Our London portfolio could see a moderate risk of drought, of between three to four months per year, a notable increase over today's climate. Under this scenario, there is increased susceptibility of subsidence, with all the London portfolio having 'probable' increases and instability issues in line with the wider London area. There was no scientific evidence to suggest that intensity or frequency of windstorm would increase significantly. Consequently, the risk profile has been deemed to be broadly similar to that in the 'Current Policies' scenario.

Potential financial impacts

Low

Within the next 10 years, modelling showed that there was a 10% probability of windstorm damage to the portfolio costing approximately £1.8m to £4.0m in the most extreme years. Likewise, in the same extreme years flood damage could cost £0.3m to £3.6m, rising to approximately £2.1m to £6.1m by 2050, across both the London and Scottish portfolios.

Potential impact on strategy

Low

Drought might create water stress issues and shortages in the water supply for London. Our water management strategy would need to be adapted for more optimal water usage (reuse, collections etc.) which could lead to higher maintenance and regeneration costs.

Although overall flood risk is not significant, projected changes indicate that the frequency of flood events could increase in the UK (and more for Scotland) and create additional direct building and infrastructure damage and more frequent interruptions. Flood risk assessment forms part of our acquisition appraisal process.

Subsidence presents a risk to our London portfolio, although the lack of data makes it difficult to ascertain the impact, if any, on our business strategy.

Assessment continued

Impact on our strategy and financial planning

The outputs from the risk and scenario assessments (see [pages 3 to 6](#)) have been embedded into our business to ensure all of our core activities accurately reflect the required actions and investments. Our strategy remains unchanged as we continue to develop design-led, amenity-rich, low carbon office space in line with market and customer demand.

Material risk	Exposure			Impact on strategy	Impact on financial planning
	0-5 years	5-10 years	15+ years		
Transition risks					
<p>Planning requirements</p> <p>It is likely that the UK will need to incrementally increase the stringency of building planning and design requirements as part of its efforts to meet its net zero targets. This would affect our development pipeline, including increasing development costs to ensure all new buildings are net zero carbon ready.</p>	●	●		<p>Our Responsible Development Framework and Net Zero Carbon Pathway aim to ensure that our properties are more climate resilient, built for a longer life, flexible to occupy and operate, less reliant on mechanical cooling and free from fossil fuel use i.e., all electric heating and cooling.</p> <p>Strategic objectives: 1 2 4</p> <p>Business model: Refurbishment & Development</p>	<p>The requirement to be net zero aligned is already factored into our development appraisal process and ensures we have a robust level of cost certainty and financial forecasting ability. Access to good quality, affordable finance is also important to enable us to deliver our development pipeline effectively and demonstrate how we are addressing and effectively managing climate risk. Further information on our green finance initiatives is on pages 84 and 85 in the Report & Accounts 2024.</p>
<p>Emissions offsets</p> <p>As more companies commit to net zero, the demand for high quality carbon removal offsets is increasing, resulting in higher prices. There is also increasing reputational risk associated with the use of emission offsets if carbon offsetting is chosen as the only net zero measure, instead of focusing on reducing energy consumption and emissions first.</p>		●		<p>We have put in place energy intensity reduction targets for the properties in our managed portfolio which look to reduce intensity by c.4% year-on-year between our 2019 baseline and 2030. These are designed to ensure (alongside our renewable energy procurement) that we drive down operational carbon as much as possible.</p> <p>Our strategy has been to utilise our Scottish land to generate our own offsets, initially via tree planting schemes.</p> <p>Strategic objectives: 4</p> <p>Business model: Asset Management & Investment activities</p>	<p>To offset our development-based residual embodied carbon we use carbon removal offsets purchased from the voluntary carbon market. Our development appraisals include a cost of carbon for these offsets, currently set at £34 per tonne. This is complemented by our stretching embodied carbon targets which aim to drive down the amount of embodied carbon on scheme completion and subsequently the need for and cost of offsetting.</p>

Strategic objectives

- 1** To optimise returns and create value from a balanced portfolio
- 2** To grow recurring earnings and cash flow
- 3** To attract, retain and develop talented employees
- 4** To design, deliver and operate our buildings responsibly
- 5** To maintain strong and flexible financing

Material risk	Exposure			Impact on strategy	Impact on financial planning
	0-5 years	5-10 years	15+ years		
Physical risks					
Windstorm The risk arising from windstorms is damage to our buildings (which could include façade and roof damage and power outages), primarily caused by flying debris.				Our buildings are in storm susceptible regions, with our land in Scotland being at highest risk. Overall, the impact of windstorms on our portfolio does not impact on our business strategy. We have adequate building maintenance and management measures in place. Strategic objectives: 1 2 3 4 5 Business model: All of our core activities	As modelling showed a minor potential financial loss of approximately £2-4m, we currently do not believe that it will impact on our financial planning. Recommendations from the climate assessments will be factored into our property management strategy and planned preventive maintenance schedules.
Flooding All of our London assets are out of flood risk zones or protected by the Thames Barrier. In Scotland (c.2% of our total portfolio), we have locations, mainly used for agricultural purposes, which are currently exposed to very high flooding risk.				The risks from flooding do not impact our overall business strategy, albeit we are likely to undertake a greater level of due diligence during the acquisition process given future purchase targets could potentially be in flood zones. Strategic objectives: 2 4 Business model: All of our core activities	To ensure we understand the flood risk of potential new acquisitions, our due diligence procedures will need to be enhanced to account for a greater level of flood mapping to avoid introducing higher levels of risk and loss exposure into the portfolio.

Further information on how we have addressed these risks can be found on the following pages:

- Our pathway to net zero/See pages 44 and 45 in the [Report & Accounts 2024](#)
- Occupier engagement on climate change/ See page 44 in the [Report & Accounts 2024](#)

Monitoring

Role of the Board

The Board has overall accountability for climate-related risks and opportunities. It is responsible for ensuring that climate change is adequately reflected in the Group's strategy to ensure our future resilience. Due to its importance, climate-related matters are regularly discussed during the Board's strategy reviews and factored into the Board's viability assessment (see page 89 in the [Report & Accounts 2024](#)).

Climate resilience has been classified as a principal risk for the Group and is contained on our Schedule of Principal Risks (see page 98 in the [Report & Accounts 2024](#)). The Board reviews and approves the Group's risk registers on at least an annual basis and they are subject to review by the Risk Committee at each of its meetings.

Climate-related topics are included on the agenda of each meeting of the Responsible Business Committee and the Sustainability Committee, including our progress to net zero carbon. Climate-related risks and reporting are regular agenda items for the Risk and Audit Committee meetings. The climate risk governance framework is on [page 10](#).

To embed a further level of oversight, we have linked climate-related performance measures into our Remuneration Policy for the Executive Directors (see page 179 in the [Report & Accounts 2024](#)).

These targets are directly linked to our Net Zero Carbon Pathway.

Further information on the role of the Board and its Committees in respect of climate change is available on the following pages:

- [Audit Committee Report/See page 144 in the Report & Accounts 2024](#)
- [Remuneration Committee Report/See page 174 in the Report & Accounts 2024](#)

The Board does not have terms of reference. Instead a schedule of matters reserved solely for its attention is maintained. Within this schedule, climate change and other environmental factors which could impact on the design or management of our portfolio is reserved to the Board and its Committees, principally the Responsible Business Committee and Audit Committee. To formalise the role of each Committee in the oversight of climate-related risks and opportunities, their terms of reference were updated in 2024.

The Board's assessment of its skills, experience and knowledge is on page 137 in the [Report & Accounts 2024](#) and incorporates reference to environmental matters, including climate change.

Role of management

As Chief Executive, Paul Williams has overall accountability to the Board for climate-related issues. Paul Williams has delegated management oversight to Nigel George (Executive Director) and responsibility for implementation to John Davies (Head of Sustainability) and Robert Duncan (Head of Investor Relations and Strategic Planning).

The table below illustrates their involvement in the Group's climate risk framework. As a result, they have a comprehensive oversight of all our climate-related work.

	Paul Williams	Nigel George	John Davies	Robert Duncan
Board	Member	Member	By invitation	By invitation
Audit Committee	By invitation	Regular attendee	Regular attendee	Regular attendee
Risk Committee	Regular attendee	By invitation	Regular attendee	-
Remuneration Committee	By invitation	-	-	-
Nominations Committee	By invitation	-	-	-
Responsible Business Committee	Member	By invitation	Regular attendee	-
Executive Committee	Chairman	Member	Member	Member
Sustainability Committee	Chairman	Member	Member	Member
Sustainability Team	-	Oversight	Head of Department	-

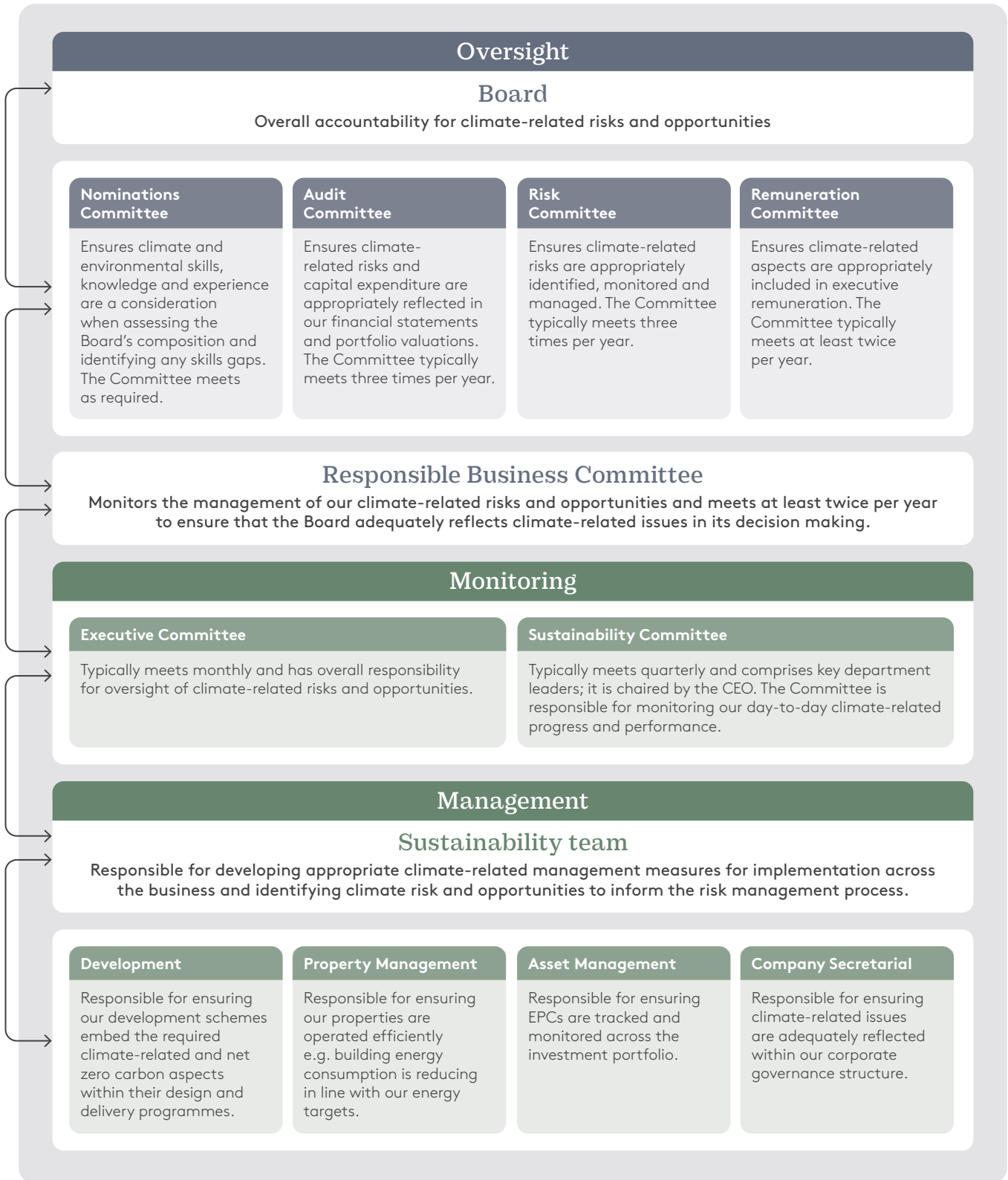
Throughout the year, the Executive Committee reviews the Group's risk registers, which include sustainability/climate change-related risks. These reviews consider the risk severity, likelihood and the internal controls and/or mitigation actions required to reduce our risk exposure, so that it is aligned with or below our risk appetite. This approach allows the effects of any mitigating procedures to be considered properly, recognising that risk cannot be eliminated in every circumstance.

The Sustainability Committee comprises of key department leaders, many of whom have a responsibility for oversight and implementation of climate-related issues within their department. At each meeting, a 'performance and data' dashboard is produced for discussion and analysis.

Members from key departments were involved in the climate risk assessment and climate scenarios conducted with Willis Towers Watson, the outputs of which underpin our disclosure.

Climate risk governance framework

As climate risks and opportunities are likely to have an impact on various aspects of our business, all the Board’s Committees are involved in the oversight of climate-related matters. As illustrated below, the business has a ‘top-down, bottom-up’ approach to the oversight of climate-related aspects, from individual departments to the Board.

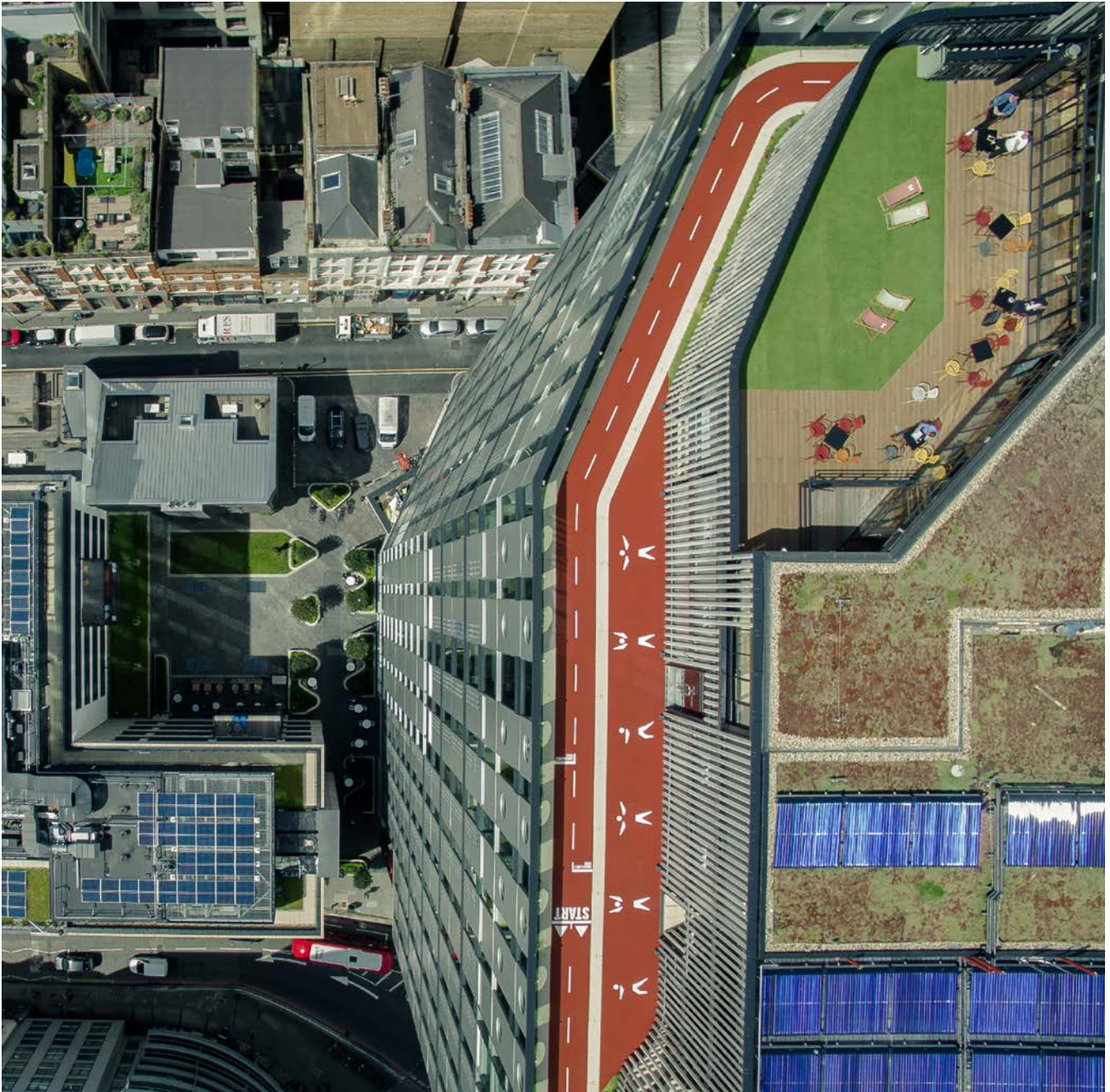


Response

Capturing opportunities

As a responsible business, we understand, balance and manage our environmental opportunities proactively; it is visible in our culture and approach, and the design and management of our buildings. Our management structure and style ensure that we can respond to changes in regulation and occupier demand. Likewise, this enables us to plan more effectively for the long-term and ensure we are putting the right systems and processes in place to maintain our position as London's leading office-focused REIT and capture the opportunities which arise.

Through our climate risk assessment, we identified the opportunities that we could embrace. Of those identified, changing occupier requirements and cost of debt through green initiatives were considered most material. We detail below some of the ways in which we are capturing climate-related opportunities.



White Collar Factory & Old Street Yard EC1

Green Finance	Our Green Finance Framework was specifically developed to link our 'green' debt to our net zero carbon ambitions and in particular our development and refurbishment activities. We have two specific debt facilities which are linked to our framework; the £300m 'green' tranche of our main corporate £450m revolving credit facility and a £350m Green Bond issued in 2021. These are being used to part-fund our eligible projects. Further information on our Green Finance Framework is on pages 84 and 85 in the Report & Accounts 2024 .
Building Upgrades	Refurbishing space to optimise rents as vacancies occur is an integral part of our business model. In addition to physical upgrades, we also seek to improve a building's environmental credentials. Where appropriate, we are removing gas from properties and where this is not possible, we are retrofitting specialist boiler equipment to enhance performance – see page 45 in the Report & Accounts 2024 for further details. These works, which also form part of our strategy to ensure compliance with evolving EPC legislation, are factored into all refurbishment projects. Since the independent third party assessment in 2021, we have invested £13m of capital expenditure on EPC upgrade works.
Operationalising Data	The volume and quality of environmental data we collect from our buildings continues to rise. As well as retrofitting sensors as part of our refurbishment activity, we have developed a bespoke in-house environmental database which operates alongside our Intelligent Buildings programme. Our building managers now have better access to near-real time data, facilitating lower energy consumption and delivering savings in cost and operational carbon to our occupiers.
Self-Generation	The provenance of energy is under increasing scrutiny as businesses seek to optimise GHG emissions. Aligned with this, we aim to procure 100% of the energy consumed across our portfolio on renewable contracts. Our land in Scotland presents several opportunities for us to reduce our carbon impact, including self-generation. Following receipt of resolution to grant planning consent in 2023, construction of a 100-acre, 18.4 MW solar park is underway (total development cost c.£17m). On completion in 2026, we expect it to generate in excess of 40% of the electricity needs of our London managed portfolio.

Metrics and targets

The Group reports annually on its progress towards net zero by 2030. A brief outline of our progress in 2024 is set out on pages 44 to 47 in the [Report & Accounts 2024](#). To help our stakeholders understand our performance, the data section within our annual Responsibility Report sets out a broad range of climate and energy performance data and metrics. This includes extensive carbon reporting and historical performance data to allow for trend analysis. Our Responsibility Report is available on our website.

We align our Responsibility Report disclosures to externally recognised frameworks including the EPRA Best Practices Recommendations for Sustainability Reporting (sBPR) and the Sustainability Accounting Standards Board (SASB). We participate in internationally recognised indices, namely CDP and GRESB, and our performance against these can be found on the inside back cover.

Since 2023, embodied carbon reduction and energy intensity reduction performance metrics have been included within the Executive Director and Executive Committee incentive plan (the PSP). Further information is on page 182 in the [Report & Accounts 2024](#).

In 2020 we published our Net Zero Carbon Pathway which is aligned to the Better Building Partnership (BBP) Climate Change Commitment. This includes a series of ambitious climate-related targets, which are shown on the right. We expect to publish an updated Net Zero Carbon Pathway in 2025.

Reducing operational energy and carbon emissions

- An annual reduction in energy intensity of our managed portfolio to achieve 90 kWh/sqm by 2030
- Near-term: we commit to reduce absolute Scope 1 and 2 GHG emissions by 42% by 2030 (to 3,161 tCO₂e) from a 2022 baseline and to measure Scope 3 emissions
- Long-term: reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by 2040 from a 2022 baseline

Reducing embodied carbon of development projects

- New build commercial office schemes completing from 2025 to achieve: ≤600 kgCO₂e/sqm (upfront carbon, A1-A5)
- New build commercial office schemes completing from 2030 to achieve: ≤500 kgCO₂e/sqm (upfront carbon, A1-A5)

Energy and carbon reporting

We publish a full breakdown of our corporate carbon footprint (inclusive of Scopes 1, 2 and 3) and energy usage in our Streamlined Energy and Carbon Reporting (SECR) disclosure on pages 58 and 59 in the [Report & Accounts 2024](#). Our Scope 1, 2 and 3 totals in 2024 have been subject to independent limited assurance by Deloitte LLP in accordance with ISAE 3000 (Revised) and ISAE 3410 Standards.

→ SECR disclosures / See page 59 in the [Report & Accounts 2024](#)

Response continued

EPC ratings

EPC ratings indicate the energy efficiency of a building. We are following a phased programme of works to upgrade the EPC ratings of our portfolio. We target a minimum EPC of 'A' for major new build schemes and 'B' for major refurbishments (see page 47 in the [Report & Accounts 2024](#) for our progress in 2024).

69.2%

of our portfolio (by ERV) has an EPC rating of A or B (including projects)

17.7%

of our portfolio (by ERV) has an EPC rating of C

Percentage of portfolio (by ERV)	2024	2023	2022
Rated A	10%	10%	9%
Rated B	48%	47%	45%
Rated C	18%	19%	20%
Rated D	8%	8%	9%
Rated E	5%	5%	4%
Rated F	0%	0%	0%
Rated G	0%	0%	0%
Properties in development	11%	11%	12%
Exempt/under review/outstanding	0%	0%	1%

Renewable energy

The Group is committed to ensuring that all the energy we procure, electricity and gas, is from renewable sources.

99%

of our electricity is from renewable sources

100%

of our gas is from renewable sources
Target: 100%

	2024	2023	2022
Percentage of electricity from renewable sources ¹	99%	99%	99%
On-site renewable energy generation (kWh)	86,136	97,440	81,367
Percentage of gas from renewable sources ²	100%	99%	80%

¹ Electricity purchased on renewable tariffs backed by REGOs.

² Gas purchased on renewable tariffs backed by RGGOs.

Certification

BREEAM and LEED certifications recognise the sustainability of our buildings, their construction and operation. We target minimum BREEAM ratings of 'Excellent' for major developments and 'Very Good' for major refurbishments (see page 36 in the [Report & Accounts 2024](#) for our progress in 2024).

Percentage of portfolio (by floor area – NIA)	2024	2023	2022
BREEAM certified	33%	35%	34%
LEED certified	22%	22%	13%

Our progress

As part of our commitment, we analyse our activities to ensure we are reducing our carbon footprint across all our spheres of influence. Our pathway focuses on four principal areas:

- Reducing operational energy and carbon emissions through setting annual reduction targets and engaging with our occupiers.
- Procuring and investing in renewable energy.
- Reducing the embodied carbon of our future pipeline.
- Offsetting residual carbon emissions we cannot eliminate.

Further information on these commitments and our progress in 2024 is detailed on pages 44 to 47 in the [Report & Accounts 2024](#).

Future priorities

On page 46 in the [Report & Accounts 2024](#) we have outlined our environmental priorities for 2025. In addition to these focus areas, we intend to action the following:

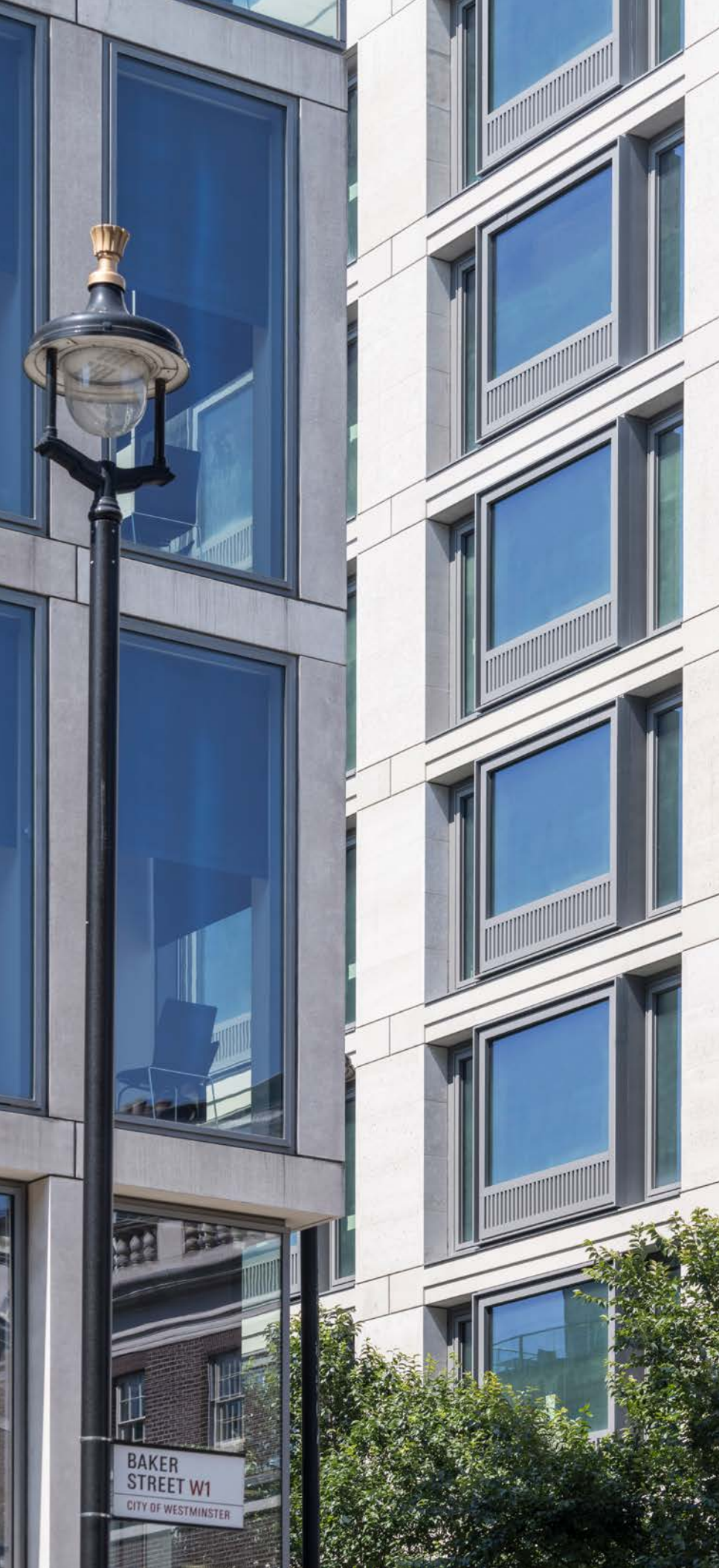
- **Governance:** The Board will continue to build its competency through training and monitoring of developing best practice.
- **Strategy:** Monitor construction of our 18.4 MW solar park in Scotland which commenced in 2024.
- **Metrics and targets:** In 2024, we undertook a double materiality assessment which we disclose on pages 42 and 43 in the [Report & Accounts 2024](#). We will also start to report on our rebased SBTi-verified targets (aligned to a 1.5°C scenario).

Climate scenarios – assumptions and risk data sources

2024 Willis Towers Watson risk assessment

Scenario Name	'Low Carbon World' (~1.5°C)	'Current Policies' (~2 to 3°C)	'Hot House World' (>4°C)
Temperature Range	1.4°C (median, 2100, IEA NZE2050, NGFS 2050) ~1.5°C (median, 2100, RCP2.6)	2.6°C (median, 2100, IEA STEPS) ~2.3°C (mean, 2100, RCP4.5)	~4.2°C (mean, 2100, RCP8.5)
Sources	IEA – Energy Outlook 2021: NZE2050 NGFS 2050 IPCC, 2014: Synthesis Report: RCP2.6 Narratives for SSPs*: SSP1	IEA – Energy Outlook 2021: STEPS IPCC, 2014: Synthesis Report: RCP4.5 Narratives for SSPs*: SSP2	IPCC, 2014: Synthesis Report: RCP8.5 Narratives for SSPs*: SSP5
Primary risks			
	Transition risks (2025 and 2030)	Moderate transition (2025 and 2030) and physical risks (current, 2030, 2050)	Physical risks (current, 2030, 2050)
Underlying assumptions			
Global net zero achieved by:	2050 (IEA NZE2050)	Not achieved before 2100 (IEA STEPs)	Not achieved
Carbon price	Advanced economies: 2025, 2030, 2040, 2050 \$75/tonne; \$130/tonne; \$205/tonne; \$250/tonne (IEA NZE2050)	EU: 2030, 2040, 2050 \$65/tonne; \$75/tonne; \$90/tonne (IEA STEPs)	No carbon pricing in existence. (SSP5)
Building sector policies	Implementation of more stringent building energy conservation building codes for existing and new buildings, including net zero emission requirements by 2030 and 85% of all buildings are zero carbon-ready in 2050. (IEA NZE2050)	In the UK, Low Carbon Heat Support and Heat Networks Investment Project; various retrofit incentive schemes for improving buildings efficiency as part of Plan for Jobs. It does not however assume increasing stringency of EPC requirements. (IEA STEPs)	Assumes current policies promoting sustainability are removed. (SSP5)
Social assumptions	Assumes low growth in material consumption and increasing consumer pressure on businesses to drive sustainability. (SSP1)	The world follows a path in which social, economic and technological trends do not shift markedly from historical patterns. Global and national institutions work towards, but make slow progress in achieving, sustainable development goals. (SSP2)	The push for economic and social development is coupled with the exploitation of abundant fossil fuel resources and the adoption of resource and energy intensive lifestyles around the world. (SSP5)
Technology assumptions	Promotion of alternative fuels and technologies such as hydrogen, biogas, biomethane and carbon capture utilisation and storage across sectors. The share of renewables by 2030 in the global electricity supply would increase to approximately 61%, shifting economies from being fossil fuel-dependent to renewable energy driven. (IEA NZE2050)	Phase out of traditional coal-fired power by 2024 in the UK and the Ten Point Plan, with up to 40 GW offshore wind capacity by 2030. Electrification component of the Sixth Carbon Budget and Industrial Energy Transformation Fund provides grant funding for energy efficiency projects. (IEA STEPs)	Little to no development in low carbon technology. (SSP5)
Physical risk data sources			

Willis Towers Watson's Global Peril Diagnostic and Climate Diagnostic Tools, data from the MunichRe hazard databases, and the Intergovernmental Panel on Climate Change (IPCC). For climate loss modelling, the catastrophe model of RMS (Risk Management Solutions) was used.



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