RESPONSIBILITY CONTINUED

Climate resilience

Climate change represents a principal long-term risk for our business.
We invest significant time and effort into ensuring we are managing the risks it presents.

OUR ACHIEVEMENTS IN 2018

- 20% reduction in like-for-like carbon intensity (tCO_2e/m^2)
- 75% waste recycling rate

OUR FOCUS AREAS FOR 2019

- Develop COP21 action plans for each managed property in our five-year plan
- Undertake our statutory audit programme for phase 2 of Energy Savings Opportunity Scheme (ESOS)
- Complete an evaluation of the environmental and social impact study of our White Collar Factory building

As a real estate investment trust (REIT) we invest in, develop and manage property. Our properties are subject to physical climate-related risks, such as increasing temperatures, which could lead to greater stresses on our properties and cost increases. We therefore factor climate resilience into our new developments and our management approach to existing buildings. Significant focus is given to energy and carbon reduction to ensure our buildings operate as efficiently as possible.

Science-based carbon targets

In 2016, Derwent London agreed its first set of science-based targets, aligned with the International Energy Agency's (IEA) Energy Technology Perspectives 2°C scenario data and the UK Carbon Plan 2050 Futures model. Recently, the Science Based Targets Initiative validated our science-based targets, which are to reduce scope 1 and 2 emissions 55% per m^2 and scope 3 emissions by 20% per m^2 by 2027 from a 2013 and 2017 base line, respectively.

Our existing portfolio and development pipeline incorporate the right resilience measures to mitigate any potential negative impacts and ensure we meet our targets.

We made good progress over the past year with a reduction of 20% in carbon intensity across the like-for-like portfolio. This means we are on track to meet our targets by 2027 (see our Annual Sustainability Report).

Energy efficiency actions taken during 2018

As part of our ongoing energy efficiency programme, we have installed advanced energy analytics in several of our multi-let properties as a means of driving down their energy consumption profiles. During 2018 these included BMS optimisations, chiller staging and lockout, optimised night purging, variable speed drive optimisations and eliminating heating and cooling conflicts, which resulted in savings of over 4.5m kWh of energy during the year.

Streamlined Energy and Carbon Reporting (SECR) disclosure

Following the Government announcing the replacement of the CRC Energy Efficiency Scheme and extension of the scope of the Mandatory Carbon Reporting, we now report in line with new SECR regulations, which are provided below:

GHG and energy data	2018	2017
Total Scope 1 emissions (tCO_2e)	4,223	4,189
Total Scope 2 emissions (tCO_2e)		
Location based	3,458	3,538
Market based	4,478	5,475
Total Scope 3 emissions (tCO_2e)	12,538	14,859
Carbon intensity ratio (tCO_2e/m^2)	0.019	0.020
Total energy use (kWh of electricity, gas and biomass use)	34,297,942	29,207,987

For further analysis of our GHG emissions, energy consumption and renewable energy generation, use and procurement see our Annual Sustainability Report.

SECR data notes	
Reporting period	1 January to 31 December 2018
Boundary (consolidation approach)	Operational control, based on our corporate activities and property portfolio all of which are in central London (UK) only.
Alignment with financial reporting	The only variation is that the GHG emission/energy data presented does not account for single-let properties or properties for which we do not have management control. This is because we have no control or influence over the utility consumption in these buildings. However, the rental income of these properties is included in our consolidated financial statements.
Reporting method	We arrange our GHG emissions reporting in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. For further details on our data calculation methodology please the data section of our Annual Sustainability Report.
Emissions factor source	DEFRA, 2018 – www.gov.uk/government/collections/government-conversion-factors-for-company-reporting for all emissions factors apart from the Scope 2 market based (residual mix) factor which is from Reliable disclosure systems for Europe, 2014 European residual mixes – www.reliable-disclosure.org/documents
Scope 3 emissions	We use the GHG Protocol Scope 3 Standard to collate and report on our relevant Scope 3 emissions. Our relevant emissions categories include fuel and energy-related activities, waste generated in operations, business travel and emissions from downstream leased assets (tenant emissions).
Independent assurance	Public reasonable assurance (using ISAE 3000) provided by Deloitte LLP over all Scope 1, 2 and 3 GHG emissions data, intensity ratio and energy data. Our assurance statement can be found in our Annual Sustainability Report.

TCFD summary

The Task Force on Climate-related Financial Disclosures (TCFD) released its first draft disclosure guidelines in June 2017. We present a summary of our disclosures below. Our full disclosures can be found in our Annual Sustainability Report.

GOVERNANCE

Describe the Board's oversight of climate-related risks and opportunities	• Our Responsible Business Committee, a principal committee of the Board, oversees the management of our climate-related risks and opportunities, which is in turn informed by our Sustainability Committee.
Describe management's role in assessing and managing climate-related risks and opportunities	• Paul Williams is the main Board Director with overall accountability for sustainability. As part of his role as chair of the Sustainability Committee, he oversees the review and performance of our climate-related work.

STRATEGY

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	• **Short-term (0-5 years):** market shift in terms of stricter legislation, e.g. the introduction in the UK of the new minimum energy efficiency standards (MEES) for commercial and domestic property. • **Medium-term (5-10 years):** market demand from occupiers in terms of buildings and spaces with higher levels of efficiency and low carbon footprint. • **Long-term (15+ years):** the changing climate conditions in London, principally temperature increases and their effect on our buildings.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	• As a property investor, climate-related issues affect the way we develop new buildings and how we manage existing ones. • To help us plan climate-related investments into our managed properties, we have built a scenario analysis tool. This allows us to test the impact of different energy/carbon management measures into specific buildings to estimate the effect they will have on our science-based carbon targets.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• Our business strategy involves both investing in new developments and acquiring older properties with future regeneration opportunities. We ensure a high degree of resilience in our new developments and the regeneration of older properties by setting high standards for environmental sustainability. When managing our core income portfolio, we have a significant focus on energy and carbon reduction, ensuring our buildings operate as efficiently as possible. As a result, our strategy centres around the concept of continual improvement which ensures a high degree of both climate and financial resilience. Ultimately we do not envisage having to make changes to our strategic approach when considering climate related scenarios. • Our properties are subject to climate-related risks such as increasing temperatures which could lead to greater stresses on our properties and in turn increase our cost base, e.g. management and utility costs and our GHG emissions.

RISK MANAGEMENT

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	• Each year senior managers from various areas of the business collate their key risks, which includes sustainability/climate change related risks. The risks are assessed by the Executive Committee to understand their severity, likelihood and the optimal controls and/or mitigation required.

METRICS AND TARGETS

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	• We report an extensive range of consumption and intensity metrics relating to energy, carbon, waste and water in our Annual Sustainability Report.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	• Streamlined Energy and Carbon Reporting (SECR) disclosures on page 76.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	• Following our review of the Paris Agreement on international climate change in 2016, we developed a set of science-based targets to ensure we align our carbon reduction programme with this agreement, and ensure we minimise our risk exposure to the effects of climate change on our managed portfolio.