

RESPONSIBILITY

At Derwent London we believe it is essential that we understand and balance our environmental, social and governance impacts to clearly demonstrate our responsible business approach.

ESG REPORTING STRUCTURE IN THIS SECTION

Environmental

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- UN SDG disclosures
- Net zero carbon
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Social

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- Employee engagement
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- Diversity and inclusion
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- Our Community Strategy

Governance

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- Climate change governance
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- Tax governance
- ESG governance framework
- Additional disclosures

2019 HIGHLIGHTS

Waste recycling rate in the like-for-like portfolio

76%

Employees that are proud to work for Derwent London in a recent survey

96%

Average payment days

25 days

Reduction in like-for-like carbon intensity (tCO₂e/m²)

10%

Hours of health and safety training to 115 employees and contractors

1,700

Response rate to our Supply Chain Sustainability questionnaire

92%

Reduction in like-for-like energy intensity (kWh/m²)

4%

Awarded via the Community Fund during 2019

£115k

Hours of compliance training completed during 2019

539

What does responsibility mean to us?

To operate a responsible business requires clear recognition of the environmental, social and governance (ESG) issues that are important to both our stakeholders and our business.

ESG matters are integrated into all aspects of our decision making and business practices, including our business model (see page 20) and strategy (see page 30). By understanding the long-term consequences of our decisions we are better able to manage risks and generate value.

During 2019, we performed a comprehensive review of our sustainability work, to develop it further and align it more clearly with our new 'responsibility' approach. The result of this review was the creation of a new responsibility policy and strategy, both of which are structured around our seven ESG priorities:

1. Designing and delivering buildings responsibly
2. Managing our assets responsibly
3. Creating value in the community and for our wider stakeholders
4. Setting the highest standards of health and safety
5. Engaging and developing our employees
6. Protecting human rights
7. Setting the highest standards of corporate governance

We have continued to make good progress in further developing our ESG initiatives, including the creation of our new Green Finance Framework and the extension of our main revolving credit facility which now includes an innovative 'green' tranche. Our Green Finance Framework allows us to clearly link our financing to the environmental benefits our activities generate (see page 73).

In October 2019, we became members of the Better Buildings Partnership (BBP) and signed their climate change commitment. As a signatory to the climate change commitment we pledged to publish in 2020 a detailed net zero carbon route map and to work alongside our fellow BBP members to improve the performance of our existing property portfolios.

We fully intend to honour these commitments and will publish our route map on our website during 2020. Our route map will be based on our net zero carbon strategy (see page 81).

We believe that it is important to be transparent and accurate with our data. Our environmental and health and safety data is all subject to 'reasonable assurance' verification by Deloitte LLP. We also report under both GRI and EPRA reporting frameworks. In 2019 we received EPRA's gold award for our Annual Sustainability Report, we scored 80 points in the GRESB Sustainability Benchmark and our CDP rating was 'Management B'. Full details can be found in our Annual Responsibility Report.



Members of the Sustainability and Company Secretarial teams

OUR ESG JOURNEY

<p>2013</p> <ul style="list-style-type: none"> Published our first full set of carbon accounts Launched our Community Fund in Fitzrovia 	<p>2014</p> <ul style="list-style-type: none"> Launched our Sustainability Framework for Developments and Assets Achieved our first BREEAM Outstanding ratings 	<p>2015</p> <ul style="list-style-type: none"> Undertook our first Company-wide staff survey – 'Developing our Future' Prepared our first GRI (Global Reporting Initiative) report 	<p>2016</p> <ul style="list-style-type: none"> Published our science-based carbon targets Expanded our Community Fund coverage to include our Tech Belt portfolio 	<p>2017</p> <ul style="list-style-type: none"> Achieved a SKA Gold rating for the refurbishment of our offices at 25 Savile Row Ranked 12th in the Corporate Knights Global 100 Index 	<p>2018</p> <ul style="list-style-type: none"> Started our employee development programme – 'Fit for the Future' Worked with the Science-Based Target Initiative (SBTi) to validate our science-based targets 	<p>2019</p> <ul style="list-style-type: none"> Joined the RE100, committing to procuring 100% renewable electricity Developed our Green Finance Framework and became the first UK REIT to launch a Revolving Credit Facility with a 'green' tranche 	<p>...2030</p> <ul style="list-style-type: none"> Operating our business on a net zero carbon basis <p>NET ZERO</p>
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RESPONSIBILITY CONTINUED

UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The United Nations' 17 SDGs are an international standard aimed at addressing global challenges including inequality, climate change and environmental degradation. As a responsible business, we recognise our role in supporting the UK in its response to this standard and helping to affect change in London and Scotland. The goals that are particularly significant to our business are shown below. For a more detailed review of our progress against the United Nations' SDGs, please refer to our Annual Responsibility Report. In addition, within our Green Finance Framework, we demonstrate how our 'green' finance eligibility criteria aligns with the United Nations' SDGs (further information on page 73).

SDGs that are significant to our business

 <p>4 QUALITY EDUCATION</p>	<p>Quality education Through our Community Fund we invest in, and support, youth and adult education and skills training – both technical and vocational (see page 89).</p>	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>Sustainable cities and communities We actively promote the inclusion of public spaces in and around our buildings, and ensure they are fully accessible to those with disabilities. We are one of the Mayor of London's Business Climate Leaders, a group established to help London become a net zero carbon city by 2050.</p>
 <p>5 GENDER EQUALITY</p>	<p>Gender equality We are active in ensuring meaningful gender equality in our business. As at 31 December 2019, 48% of our workforce (including Directors) is female. We require our suppliers to have similar gender diversity policies in their businesses (see page 138).</p>	 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Responsible consumption and production We set performance requirements in our development projects that focus on the efficient use of natural resources, life cycle efficiency and high levels of waste recycling. In the management of our buildings, we set recycling targets and require that no waste goes to landfill (see page 82).</p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Affordable and clean energy We purchase 100% Renewable Energy Guarantees of Origin (REGO) backed electricity for our buildings. As part of our net zero carbon strategy, we are reviewing renewable gas supplies and increasing the use of on-site renewable energy generation (see page 80).</p>	 <p>13 CLIMATE ACTION</p>	<p>Climate action We have independently verified science-based carbon targets which are set to a 2°C reduction scenario. We are committed to reducing our carbon emissions and making our portfolio climate resilient. In 2020, we have brought forward our net zero carbon target to 2030 (see pages 80 and 81).</p>

Non-financial reporting

As we have fewer than 500 employees, the Non-Financial Reporting requirements contained in the Companies Act 2006 do not apply to us. However, due to our commitment to promoting transparency in our reporting and business practices, we have elected to provide further information in the table below.

	Our key policies and standards	Additional information
Environmental matters	<ul style="list-style-type: none"> Responsibility Policy Our target to be net zero carbon by 2030 Science-based carbon targets Task Force on Climate-related Financial Disclosures Streamlined Energy and Carbon Reporting (SECR) disclosure 	<ul style="list-style-type: none"> Annual Responsibility Report Net zero carbon strategy (see page 81) Climate change governance (see page 90) and risk management (see page 56) Executive Directors' annual bonus (see page 157)
Social and employee aspects	<ul style="list-style-type: none"> Volunteering Policy Equal Opportunities & Diversity Policy Professional Development & Training Shared Parental Leave Flexible Working Policy 	<ul style="list-style-type: none"> Our Community Strategy (see page 88) Our employees (see page 84 to 85) Diversity & inclusion (see page 85 and 119)
Respect for human rights	<ul style="list-style-type: none"> Individual Rights Policy Health & Safety Policy Statement Supply Chain Sustainability Standard Modern Slavery Statement 	<ul style="list-style-type: none"> Health and safety (see page 86) Human rights and modern slavery (see page 137) Supply Chain Sustainability Standard (see page 138)
Anti-corruption and bribery issues	<ul style="list-style-type: none"> Anti-bribery Policy Whistleblowing Policy Expenses Policy Money Laundering & Terrorist Financing Policy Preventing facilitation of Tax Evasion Policy 	<ul style="list-style-type: none"> Audit Committee's report (see pages 122 to 127) Risk Committee's report (see pages 128 to 135) Our principal risks (see page 46) Compliance training (see page 134)

Additional disclosures:

p.20

Business model

p.42

Non-financial key performance indicators

p.119

Board diversity

80 CHARLOTTE STREET W1, DELIVERING A NET ZERO CARBON BUILDING

Developing a net zero carbon building requires a holistic approach, one that looks not only at the energy efficiency of the design but also includes embodied carbon, energy supply and operational monitoring and efficiency.

As part of our Sustainability Framework for Developments we conduct detailed energy and carbon assessments of our schemes, including TM54 in-use energy analysis and mapping embodied carbon. At 80 Charlotte Street, we additionally challenged the design team to create a building that was not just climate resilient but would also respond to a future low carbon world.

As a result, 80 Charlotte Street will be our first all-electric building, removing the need for combusting natural gas for heating and hot water and it will utilise air source heat pumps for all heating and cooling needs.

To ensure the building is net zero carbon, it will be powered with renewable electricity and subject to demanding energy consumption reduction targets to optimise usage. We will offset the remaining embodied carbon we have not been able to eliminate through the design and delivery process.



80 Charlotte Street – CGI

RESPONSIBILITY CONTINUED

Environmental

Climate resilience – we ensure our investment portfolio and development pipeline incorporate the right resilience measures to mitigate any potential negative impacts of climate change.

2019 ACHIEVEMENTS

- Established our net zero carbon strategy (see page 81)
- Conducted our phase 2 Energy Savings Opportunity Scheme (ESOS) audit
- 10% reduction in like-for-like carbon emissions
- 4% reduction in energy intensity (kWh/m²)

2020 FOCUS AREAS

- Launch our net zero carbon strategy
- Perform a post-occupancy evaluation of our White Collar Factory building
- Continue to refine and embed the Better Buildings Partnership's Design for Performance (DfP) initiative in our Baker Street scheme
- Develop our carbon offsetting strategy to support our target to be net zero carbon by 2030

p.73 Green Finance Framework

p.56 Our resilience to climate change

Net zero carbon

Our target is to make our existing portfolio net zero carbon by 2030. This is a 20-year acceleration on our previous target of 2050, demonstrating our determination to not only adapt to the risks of a changing climate but also respond to the opportunities. In addition to the environmental and ethical benefits, we believe this will reduce letting risk (as occupiers seek more sustainable buildings), extend the life of our buildings and, potentially, enable us to command higher rents.

We have been working towards becoming net zero carbon for several years. In 2017, we were one of the first UK REITs to adopt independently verified science-based targets to map our progress to becoming a net zero carbon business (see page 82).

For our existing portfolio to become net zero carbon, we need to significantly reduce our carbon footprint across all our activities and spheres of influence. Our initial net zero carbon strategy will focus on three principal elements – our development pipeline, our investment portfolio (managed and unmanaged properties) and the procurement of utilities. Our strategy will require us to invest additional capital expenditure and management time. For a more detailed breakdown of our net zero carbon strategy, please see our Annual Responsibility Report.

Developments – our current on-site developments will be net zero carbon buildings on completion:

- They will use 100% renewable energy;
- The embodied carbon produced in the development process will be offset; and
- They will have appropriate energy reduction targets to decrease operational energy consumption.

80 Charlotte Street W1, is our first 'all-electric' building, with its heating and cooling needs supplied by air source heat pumps. In future, our schemes will be all-electric, renewably powered and will utilise the Better Buildings Partnership's Design for Performance (DfP) process to eliminate the energy performance gap. The DfP initiative was established by the property industry to tackle the energy performance gap and provide an approach, based on measurable performance outcomes, to ensure new office developments deliver on their design intent.

Investment portfolio – our current investment portfolio, which comprises both our managed and unmanaged properties, will be operated on a net zero carbon basis by 2030. To achieve this target, we intend to significantly reduce our energy consumption. This will require us to upgrade some of our properties to enable them to make the energy savings required and, where possible, we will remove any on-site combustion of gas.

Our net zero carbon strategy will require enhanced collaboration with our occupiers. It will be easier to achieve net zero carbon within our managed portfolio (currently 68% of our total portfolio), however, we will aim to cover the entire portfolio, including the unmanaged portfolio over time.

Utilities – we currently procure 100% renewable, REGO backed electricity and some 'green' gas. We will ensure that all our energy requirements will originate from renewable sources. During 2020, we will be investigating off-site renewable energy generation opportunities to reduce our market-based dependency.

What could impact on our ability to become net zero carbon by 2030?

- Newly acquired properties: one of the ways we add value through our business model is by acquiring poorer quality buildings to regenerate. As a result, there is likely to always be an element of our portfolio which is progressing towards becoming net zero carbon.
- Unmanaged portfolio: within our portfolio we have a number of single-let buildings, with long leases, where the occupier is responsible for maintaining the property and ensuring its energy efficiency (currently 19% of our portfolio). As we are not responsible for the management of the building, this could be an area of challenge to achieving net zero carbon by 2030. We will actively engage with these occupiers and promote the benefits of net zero carbon.
- Emerging regulation and science: our strategy to becoming net zero carbon will adapt in line with emerging regulation, planning policies and science. We recognise that best practice and technological solutions will evolve over time and we must ensure we adapt to these accordingly.

NET ZERO

Our approach to net zero carbon is centred around the key areas of our business which have the greatest potential to help us drive down our carbon emissions and ensure we are responding robustly to the risks of a changing climate.

OUR NET ZERO CARBON STRATEGY



The Featherstone Building EC1 – CGI of exterior targeting BREEAM Outstanding/LEED Platinum/net zero carbon

RESPONSIBILITY CONTINUED

Energy efficiency actions taken during 2019

During 2019, we performed our phase 2 Energy Savings and Opportunities Scheme (ESOS) assessment which identified over 1,800 MWh of potential energy savings within our portfolio. This assessment will inform our energy efficiency programme for 2020. Over the past year, we implemented a range of energy conservation measures which saved over 4,500 MWh of energy. We achieved this by eliminating heat and cooling conflicts, together with optimising flow and return temperatures and optimising night purge strategies.

Streamlined Energy and Carbon Reporting (SECR) disclosure

Our SECR disclosure presents our carbon footprint across Scopes 1, 2 and 3, together with an appropriate intensity metric and our total energy use of electricity, gas and biomass. In 2019, the Group reduced its like-for-like carbon intensity by 10% (tCO₂e/m²).

SECR DISCLOSURE

4,650

Total Scope 1 emissions (tCO₂e)

0*

Total Scope 2 emissions (tCO₂e) (market based)

	2019	2018
Total Scope 1 emissions (tCO ₂ e)	4,649	4,223
Total Scope 2 emissions (tCO ₂ e)		
(location based)	2,925	3,458
(market based)	0	0
Total Scope 3 emissions (tCO ₂ e)	11,809	12,538
Carbon intensity ratio (tCO ₂ e/m ²)	0.017	0.019
Total energy use (kWh of electricity, gas and biomass use)	34,194,690	34,297,942

* 100% of the electricity we purchase from the market is from Renewable Energy Guarantees of Origin (REGO) backed sources

Data notes (reporting period 1 January to 31 December 2019)

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 our GHG emission/energy data presented does not account for single-let properties or those not under management control, as we have no influence over the utility consumption in these buildings. The rental income from 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.
Emissions factor source	DEFRA, 2019 - https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting for all emissions factors.
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) is 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 Responsibility Report.

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

ENERGY EFFICIENCY AT THE WHITE CHAPEL BUILDING

During 2019, the White Chapel Building team, led by Building Manager Karolina Gasiorowska, launched an energy efficiency project designed to identify and maximise energy savings opportunities. A key part of the project was to fully utilise the control power within the Building Management System (BMS). A range of measures were implemented, with the support of our occupiers, which included:

- occupier 'Green Forums' led by the Assistant Building Manager, Nathan Joseph, followed up with monthly emails to tenants with information on their energy usage;
- using the BMS to manage the entire central hot water system on a demand-led basis, as opposed to a traditional 'set time' basis;
- delaying the start time for air handling units by an hour;
- reducing the hot water cylinder storage temperature;
- bringing the boiler control fully into the BMS; and
- replacing redundant valves and sensors.

These measures have currently yielded a 13% energy reduction, with further saving opportunities identified.



THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Since our first disclosure in 2017, we have been embedding the TCFD guidelines into our business to ensure transparency of our understanding and management of climate-related risks. Our full TCFD disclosure is provided in the Annual Responsibility Report and a summary is provided below:

GOVERNANCE	The Board is responsible for approving the Group's net zero carbon ambitions, setting long-term science-based targets and actively monitoring portfolio performance.	p.90
Describe the board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> Our Responsible Business Committee, a principal committee of the main 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.	<ul style="list-style-type: none"> Paul Williams, CEO, is the main Board member with overall accountability for sustainability. In addition, he is chair of the Sustainability Committee and oversees the performance of our climate-related work. 	
STRATEGY	Climate change is factored into all aspects of our strategy, including our financial planning. We were the first UK REIT to sign a RCF with a 'green' tranche and launched our Green Finance Framework in 2019.	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	<ul style="list-style-type: none"> 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 for buildings and spaces with higher levels of efficiency and lower carbon footprints. Long term (15+ years) – changing climate conditions in London, principally temperature increases, and their impact on our buildings. 	
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	<ul style="list-style-type: none"> As a central London focused real estate investment trust (REIT) we invest in, develop and manage property in central London and, as such, climate-related issues affect the way we develop new buildings and how we manage existing ones. Our scenario analysis tool allows us to model various energy/carbon management measures on specific buildings to establish the likely impact/contribution they have on our science-based carbon reduction targets. 	
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none"> Physical climate-related risks, such as increasing temperatures, could increase the stresses on our properties and in turn increase our cost base, e.g. management and utility costs and our GHG emissions. As a property owner and operator, we have a significant focus on energy and carbon reduction, ensuring our buildings operate as efficiently as possible. As a result, we have adopted a pragmatic 'bottom-up' approach to carbon reduction and energy management to ensure a high degree of resilience. 	
RISK MANAGEMENT	Climate change risks are identified and monitored as part of our wider risk management procedures. We factor climate-related risks into the development and management of our buildings.	p.56
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<ul style="list-style-type: none"> Each year senior managers from the various business functions report their key risks (which include sustainability/climate change-related risks) to the Executive Committee. These risks are assessed by the Committee to understand their severity, likelihood and the optimal controls and/or mitigation required. 	
METRICS AND TARGETS	As a member of RE100 we are committed to 100% renewable power for our buildings. We have an ambition to be net zero carbon by 2030 and have science-based targets to assess our performance.	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<ul style="list-style-type: none"> To enable our stakeholders to understand our impact and subsequent performance we report an extensive range of consumption and intensity metrics relating to energy, carbon, waste and water in our Annual Responsibility Report. 	
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<ul style="list-style-type: none"> Our Streamlined Energy and Carbon Reporting (SECR) disclosure is detailed on page 82. 	
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> We have developed a set of science-based targets which have been approved by the Science-Based Targets Initiative (SBTi). These targets align our carbon reduction programme with our business activities and minimise the effects of climate change on our managed portfolio. 	

RESPONSIBILITY CONTINUED

Social

Our people - we aim to attract, inspire and engage a talented and diverse workforce, one that flourishes and is proud to work at Derwent London.

2019 ACHIEVEMENTS

- 29 employees completed our bespoke management and leadership programme (Fit for the Future)
- Enhanced benefits and organised workshops and activities to improve employee wellbeing
- Provided unconscious bias training to all Directors and line managers
- Held a very successful Company awayday focusing on collaboration
- Designed and conducted our third formal employee survey with a response rate of 94%

2020 FOCUS AREAS

- Mental health awareness training for all managers and the creation of a network of mental health champions
- Run a 'Fit for the Future' programme for a further 28 employees
- Steering group to analyse the results of the 2019 employee survey and make recommendations to the Executive Committee
- Launch the Innovation Initiative to encourage employees to come forward with their ideas
- Continue to promote individual wellbeing alongside our respectful, inclusive and collaborative culture

Employee engagement

An 'open-door' policy is an important part of our culture and encourages interaction between staff and management. This, together with a range of formal and informal communication channels (see pages 19 and 104), has helped create a highly engaged workforce. During 2020, we will launch an Innovation Initiative to encourage employees to come forward with their ideas.

Employee survey results

Our formal biennial employee survey enables us to gather employee feedback and assess levels of engagement. This is designed in conjunction with an independent provider and sponsored by the Executive Directors. Our third survey was rolled out during Q4 2019 and we were delighted to achieve a 94% response rate with no area scoring less than 63% ('strongly agree' or 'agree'). Year on year, our overall engagement score remains high; 96% of respondents said they are 'proud to work for Derwent London', while 88% would like their 'long-term career to be at Derwent London'. In addition, 90% would 'recommend Derwent London as a great place to work', up from 87% in 2017.

Encouraging collaboration across the Group was a focus area during 2019, so we were delighted when 85% of respondents positively agreed that 'their team works effectively with other teams and departments to achieve a common goal', a 19% increase from 2017. 90% of employees said they 'know what is expected of them in their role' while 89% 'feel that they can make a valid contribution to the success of Derwent London'.

We remain focused on continuous improvement. In Q1 2020, a new steering group of employees will analyse the survey results and make recommendations to the Executive Committee. This process will be co-ordinated by the employee-nominated members of the Responsible Business Committee (see page 139).

Attracting and optimising talent

We recognise that our employees are essential to the successful delivery of the Derwent London strategy and to our long-term business performance. We have a high-performance culture in which our talented and diverse workforce can thrive.

27% of our employees have more than 10 years' service, with 34% of outstanding external talent joining us over the past three years. We believe this provides the right level of continuity and business knowledge, balanced with fresh ideas, experience and skills.

We continue to invest significantly in our employees and operate a comprehensive learning and development programme which caters to our employees' behavioural and technical needs at all levels. This programme includes a suite of core skills training sessions, our induction programme, internal technical workshops, mandatory compliance training (see page 134), bespoke training for our Building Managers (see page 87) and 360-degree feedback.

Our 'Fit for the Future' leadership initiative was successfully rolled out in 2019 to 30 employees. Each programme was run by a dedicated executive coach and sponsored by two Executive Directors who were involved in the design and content of the modules. These focused on personal development, learning and collaboration and were supplemented with one-to-one and group coaching sessions. During 2020, we will be rolling out the programme to a further 28 employees.

We were delighted to be placed first in the property sector, and in 9th position overall, in Management Today's 'Britain's Most Admired Companies' award in 2019.

Wellbeing

We want our employees to feel valued as part of a happy and supportive team. Our Employee Health & Wellbeing Strategy provides employees with services and support to maintain, or in some cases improve, their physical and psychological wellbeing.

During 2019 our activities included:

- upgrading our comprehensive preventive healthcare package (medical and dental) for all employees which includes a 24-hour confidential Employee Assistance Programme;
- working closely with our Occupational Health Provider in relation to advice, referrals and on-site workshops;
- focusing on encouraging employees and line managers to embrace our agile working policy, leading by example;
- providing informative workshops during the year to help employees take control of their health, manage energy levels and adopt healthier behaviours, e.g. exercises for desk-based work, nutrition and mental health; and
- launching a new Social Committee to build relationships in a fun, relaxed environment.

89% of respondents to the survey felt that 'the company is committed to ensuring the health and wellbeing of employees'.

DERWENT LONDON AWAYDAY

In September 2019 we held our second Company awayday at a beautiful location just outside London. The awayday provided an opportunity for our CEO to address our employees with his vision and strategy for the future, encourage collaboration across the business and, most importantly, have fun. The day included

dragon boat racing, a motivational speaker and 'Sports Day' activities. In the evening we held our Summer Party, which Cilla Snowball attended, at our new Brunel Building in Paddington. Overall the day was a complete success, with overwhelmingly positive feedback.



In 2020, we will roll out specific mental health awareness training for all line managers, in addition to building a network of mental health champions. There will also be a variety of wellbeing activities throughout the year, as well as a new quiet 'library' and standing desks at our Savile Row office. In respect to our supply chain, we will continue to champion mental wellbeing initiatives by working closely with our contractors to help raise awareness.

Diversity and inclusion

We are an inclusive and respectful employer welcoming diversity and promoting equality, acceptance and teamwork. It is important to us to create a workplace in which our people can feel a genuine sense of belonging.

Our belief in 'diversity of thought' extends our definition of diversity beyond the traditional facets of gender, ethnicity, age and sexual orientation to include personality, communication and work styles. We recognise that diversity enriches our creative solutions and adds value for our stakeholders.

In accordance with our Equal Opportunities & Diversity Policy, we give full and fair consideration to all employment applicants regardless of disability. Recruitment, training, reward and career progression are based purely on merit. We also accommodate, wherever possible, part-time, agile and flexible working requests, adjusting to allow for employees or applicants with a disability.

The composition in respect of gender, ethnicity, age and length of service within the Group as at 31 December 2019 is shown in the charts on page 121. We consider diversity at all levels of the business. The Board's diversity focus areas and achievements in 2019, is on page 120.

Developments in the portfolio offer a level of inclusive design that exceeds the minimum access requirements of the Building Regulations. We employ specialist consultants who work alongside our architects from inception, to advise on and review our schemes to ensure both statutory and Equality Act compliance.

Ongoing activities to advance diversity and inclusion:

- mandatory unconscious bias training for all employees across the Group in partnership with the charity, Chickenshed;
- nurturing a culture of transparency and openness encouraging people to raise any concerns and speak out about bias or discrimination;
- reviewing our family-friendly policies;
- encouraging employees and line managers to embrace our agile working policy, with the latter leading by example; and working with recruitment agencies to provide gender-balanced shortlists and making it clear that we are an equal opportunity employer.

RESPONSIBILITY CONTINUED

Social

Health and safety - we continued to improve our health and safety performance in 2019 as we strive to create a business with an industry leading health and safety capability.

OUR ACHIEVEMENTS IN 2019

- A comprehensive review of fire safety procedures across our portfolio
- Completed over 1,700 hours of health and safety training with 115 employees and contractors
- Our flagship development in Fitzrovia, 80 Charlotte Street, recorded over three million-person hours without a reportable injury
- The Group continued to reduce our accident frequency rate (AFR) from 0.09 in 2018 to 0.08, despite a 6% increase in person hours worked

2020 FOCUS AREAS

- Continue to drive the health and safety agenda across all our activities, giving health (physical and mental) the same priority as safety
- Through consultation with our internal and external stakeholders, introduce the 'Derwent Way', which is a suite of health and safety standards for the way we work
- Implement an organisational Fire Safety Management System (FSMS) to meet the new requirements of BS 9997 Fire Risk Management Systems
- Inspire visible leadership in health and safety with quarterly Directors' tours

Our approach to health and safety

The management of our health and safety risks is critical to the growth and success of our business. We adopt an integrated approach to health, safety and wellbeing (including both physical and mental health) so that it is considered at every stage during the life cycle of our properties, from acquisition, through to management, development and leasing. By setting outstanding health and safety standards and providing the right environment for people to thrive, we can help to ensure our employees, occupiers and visitors are safe, healthy and productive.

During the year, our Group Head of Health & Safety strengthened the team by recruiting specialists in key areas such as property management, construction and health and safety training. We have an excellent health and safety record and have made further progress in 2019 (see our key statistics on page 87).

Health and safety governance

Our CEO, Paul Williams, is the designated Board Director for health and safety, with overall accountability for health and safety and is the signatory of our Health & Safety Policy. A directly employed chartered health and safety professional acts as our Group Head of Health & Safety to manage our compliance with the Group's legal obligations and responsibilities.

Employees

A total of 115 employees and contractors have been trained in health and safety matters through a combination of classroom and e-learning training. As a result, there has been an enhancement in their skills, knowledge and general attitude, positively impacting the day-to-day safe and healthy running of our building operations and developments. In 2020, a further competency review and training needs analysis will be undertaken to determine further focus areas.

Managed portfolio

To increase property-wide compliance and risk awareness, we commissioned external risk reviews on all our buildings throughout the year, which included a benchmarking exercise against our peers. This enabled us to focus our resources on specific issues and look at trends for improvements across our health and safety management system. Following the review, we made improvements in our accident reporting tool and compliance database and unified some of our processes to streamline our approach.

In addition to the risk review, we have improved our fire safety procedures to align ourselves with upcoming legislative changes and standardise our reporting system. We have also employed a full-time Water Consultant to carry out audits of the water services across our portfolio and standardise reporting/logbooks. In 2020, we will be making further improvements to residential health and safety management, to exceed what is currently required for legislative compliance.

Our Managed Portfolio now has a dedicated Health and Safety Manager who has built relationships with our Building Managers and provides them with guidance and support.

Development and construction

2019 was another busy year for our development team with the safe completion of Brunel Building W2 and the major refurbishments at The White Chapel Building E1 and The Johnson Building EC1.

In spring 2020, we expect to complete our flagship development in Fitzrovia, 80 Charlotte Street, which has achieved over three million-person hours without a reportable injury. This is a considerable achievement and testimony to the unrelenting hard work put in by all parties.

Our development projects continue to have an excellent health and safety record and we will strive to ensure that this continues in 2020 with the introduction of the 'Derwent Way'. This new suite of standards will enhance our existing processes for health and safety, specifically around fire safety, construction design and management of asbestos, to help our buildings meet the highest standards for workers, tenants and users.

We will also set minimum standards for the Considerate Contractors Scheme (CCS), the Construction Logistics and Community Standard (CLOCS), and Fleet Operators Registration Scheme (FORS) to help manage and promote construction in a responsible manner for the safety of the public and road users alike, especially vulnerable groups such as cyclists and pedestrians.

We are committed to improving the image of health, safety and wellbeing within the construction industry. During 2020, we will be setting ambitious health and safety targets for our project teams and partnering with our Principal Contractors to monitor on-site occupational and mental health.

2019 has seen innovation improvements, such as the increased use of cutting booths within our developments to help reduce the risk of silicosis and related illnesses. In 2020, we will be working closely with our contractors to look at practical measures which can be taken to reduce the ill health effects from dust, substances, musculoskeletal disorders (MSDs) and mental health.

Health and safety and the management of Construction, Design and Management (CDM), are key elements of Derwent London's development projects, demonstrated by our contractors' performance during 2019 which included:

- 2.4 million-person hours worked (up by 6.32% from 2018);
- 1.2 million-person hours worked across the entire portfolio without a reportable accident;
- 2 RIDDORs, both at Soho Place (see note below); and
- A reduced accident frequency rate (AFR), 54% below the industry average.

Performance is monitored using a robust set of standards and procedures, which are applied to all construction projects and verified by an independent third party. We strive to be at the forefront of construction best practice and continue to support industry-wide initiatives, for example, the HSE initiative Managing Construction Health Risks and Helping GB Work Well.

Our health and safety compliance

Our compliance system QUOODA® currently generates reports, that not only focuses on key management priorities but also tracks and manages health and safety risks across the portfolio. We will be conducting a review of how QUOODA® is being used during 2020, to ensure ease of usage and transparent reporting.

Health and safety statistics

The table below details our key health and safety statistics and accident frequency rate (AFR) for 2018 and 2019. The Group reduced its AFR from 0.09 in 2018 to 0.08, with a 6% increase in person hours worked.

	Employees		Managed portfolio		Developments	
	2019	2018	2019	2018	2019	2018
Person hours worked	n/a	n/a	n/a	n/a	2,335,651	2,196,901
Minor accidents	7	1	48	28	34	20
RIDDORS	0	0	0	0	2	2
Dangerous occurrences	0	0	0	0	0	0
Fatalities	0	0	0	0	0	0
Improvement notices	0	0	0	0	0	0
Prohibition notices	0	0	0	0	0	0
RIDDOR (AFR)	n/a	n/a	n/a	n/a	0.08	0.09

Notes:

⁽ⁱ⁾ Public reasonable assurance provided by Deloitte LLP over all minor accidents, RIDDORS, fatalities and improvement notices data. Our assurance statement can be found in our Annual Responsibility Report.

⁽ⁱⁱ⁾ RIDDORS related to two on-site incidents at Soho Place for a cut hand in the site office and a delivery driver tripping over materials when they stepped backwards.

HEALTH AND SAFETY TRAINING

During 2019, health and safety training was a key focus area. We identified health and safety training needs against job profiles and enrolled our people onto the relevant training courses.

Our Building Managers were enrolled on the NEBOSH National General Certificate course, an industry-recognised qualification. In addition, due to our diverse property portfolio, we enrolled the relevant Building Managers onto the P405 Managing Asbestos Safely and without Risk to Health course. Other courses were attended by our employees both internally (e.g. coaching for Building Managers to pass their NEBOSH exam) and externally (the IOSH Managing Safely and Fire Warden training). We want to make sure all our employees have the relevant health and safety training to suit their job profile and that it is integrated into everything they do.



Our Health and Safety team

RESPONSIBILITY CONTINUED

Social

Community, occupiers and other stakeholders - Long-term relationships are key for our buildings to be an intrinsic part of their communities.

2019 ACHIEVEMENTS

- The Fitzrovia Community Fund became the Fitzrovia & West End Community Fund thereby extending its target area and establishing a greater community base
- 50 projects supported through the Tech Belt Fund since its inception in 2016
- Further funds committed to the Sponsorships & Donations Committee in order to provide greater financial support to charities in the wider community

2020 FOCUS AREAS

- Raising the aspirations of young Londoners by facilitating greater access to the world of work and to the workplace
- Focus support on projects that champion good mental health in the communities across our portfolio
- Commitment to ensure our work experience candidates are recruited from a wider pool of community groups and youth organisations to further improve both gender and diversity balance

Our Community Strategy

Looking beyond the bricks and mortar of our buildings to ensure we are creating a positive socio-economic impact is an important part of our management approach. Playing an active role in the communities in which we operate, and more widely across London, allows us to build lasting relationships with local stakeholders.

Our Community Strategy guides our efforts and sets a structured approach which requires us to develop action plans for each of our major 'villages' – recognising each as unique.

To help us deliver our plans we use a variety of engagement approaches, including volunteering, 'pro bono' work and our Community Funds to support 'grassroots' projects across our portfolio. In addition, we have an active corporate giving programme to support a wide range of charitable organisations through sponsorships and donations.

EFFECTIVE LONG-TERM SUPPORT

Ongoing communication is key to an effective relationship. One such example is our connection since 2016 with the Soup Kitchen that operates from the American International Church, in the heart of our Fitzrovia portfolio.

Our involvement with the Soup Kitchen started when they were a successful applicant to Derwent London's Fitzrovia Community Fund. Subsequent conversations and visits led us to believe that we could do more than just support them financially. Derwent London's volunteering scheme for staff has enabled us to take on a more active role in their outreach, with on average two employees volunteering every month to prepare food, serve breakfast and talk to the Soup Kitchen's guests.

The Soup Kitchen's work extends beyond providing meals for their guests. They realise that homelessness and mental health are often intertwined issues. This aligned with Derwent London's two key focus areas during 2019 to support charities and groups that address these subjects.

"In June 2019, we launched Europe's first-ever mental health drop-in centre located within a Soup Kitchen. Derwent agreed to fund an entire year of therapy for our guests, enabling them to meet our expert therapists twice each week. Our aim is to give people an opportunity to take control of their lives by helping to provide a sense of stability and hope, and Derwent is instrumental in helping us achieve that."

Alex Brown

Director at the Soup Kitchen



Our Community Funds

Derwent London recognises the wider community as a valued stakeholder and our commitment to community groups continues to be a priority. Our Community Funds were established to help us engage effectively with the local communities in and around our buildings and is focused across our two largest areas – Fitzrovia & West End and the Tech Belt.

The Fitzrovia Fund was originally set up in 2013 and, through successive years, it has helped us to build strong relationships with our community stakeholders. In 2019, this Fund became the Fitzrovia & West End Fund in order to cover more areas in the West End including Paddington. This has given us the opportunity to engage with new groups.

The Tech Belt Fund launched in 2016 and has evolved over the past three years to build on our connections in the local area as a company that is committed to long-term engagement. Our Community Funds aim to support grassroots projects with a focus on community events, environmental improvements, health and wellbeing activities, music and culture and ongoing help for disadvantaged groups. To date, over £650,000 has been given to almost 100 projects. During 2019 a total of £115,000 was awarded to 19 projects across the two funds.

Corporate giving

Our sponsorship and donations programme supports a wide variety of charitable organisations and initiatives. During 2019, we donated over £270,000 to 48 projects – ranging from LandAid, Cardboard Citizens, COSMIC (Children of St Mary's Intensive Care) and Seymour Place Community Hub. In addition, £10,000 was given to our annual employee-nominated charities, which for 2019 were The Brain Tumour Charity, Silverline and the MS Society.

During the year our pro bono work saw us support a variety of organisations through the provision of our people's time and expertise. Examples include participating in LREF's learning day, career sessions with Marylebone Boys School and undertaking energy audits for community groups.

p.18 Our stakeholders

p.95 Factoring our stakeholders into our decisions

OUR PORTFOLIO SUPPORTING LOCAL COMMUNITIES

It's important to us that our buildings and our occupiers connect to their surroundings and become part of their neighbourhoods. The spacious and relaxed reception space at the White Chapel Building naturally lends itself to welcoming visitors. It is home to a number of companies working in a range of sectors and is a prime example of a variety of careers housed under one roof. The space was used to showcase to local schoolchildren the types of prestige companies that are choosing to locate and operate in their neighbourhood. Such events can raise aspirations and open up career avenues for local children.

Therefore, in October, working with Tower Hamlets Education & Business Partnership (THEBP), we hosted our first ever careers carousel for Morpeth School. Forty 14-15 year old students took advantage of meeting with nine of the building's occupiers, as well as a team from Derwent London, and were encouraged to quiz them about their career paths and experiences.

We received positive feedback from the school with students agreeing that the various company representatives had been supportive and helpful when discussing their jobs and workplaces.

Following the careers carousel, several White Chapel Building occupiers have expressed an interest in working further with THEBP and Morpeth School, and we look forward to hosting more of these events in the future.

“Thank you so much for arranging today. I had great feedback from the teachers who said the students were really engaged and loved the building and the atmosphere”

Miriam Keith

Careers Lead and Transitions Co-ordinator, Morpeth School



RESPONSIBILITY CONTINUED

Governance

At Derwent London, acting in a fair and responsible manner is a core element of our business practice.

2019 ACHIEVEMENTS

- Appointed two employees to become members of the Responsible Business Committee (see page 139)
- Developed a mandatory compliance training programme in 2019 for all employees (including Directors) which covered topics such as modern slavery, unconscious bias, respect in the workplace, tackling the facilitation of tax evasion and conflicts of interest (see page 134)
- Enhanced the role of the Sustainability Committee and revised its membership
- The Responsible Business Committee received training on the Task Force on Climate-related Financial Disclosures (TCFD)

2020 FOCUS AREAS

- Publish our 2019 Modern Slavery Statement and agree focus areas to further strengthen our processes
- Monitor progress against our net zero carbon strategy
- Review the Group's charitable donations, volunteering and work experience programmes
- Follow up on the responses received from the Supply Chain Sustainability Standard questionnaire
- Host the Group's first Stakeholder Day in October 2020 (see page 104)

What governance means to Derwent London

Our approach to corporate governance embeds our values into policies and procedures, creating clear lines of accountability and oversight, whilst maintaining our flexibility to be innovative and creative. Within this part of the Responsibility section, we provide an overview of how we govern environmental, social and governance (ESG) issues. Further information on governance is disclosed in the Corporate governance statement on pages 102 to 115.

p.96 Governance at a glance

p.97 Governance framework

A responsible business

Our Chief Executive, Paul Williams, is the designated Board Director with overall accountability for ESG matters. He oversees the review and performance of our responsibility work as chair of the Sustainability Committee and member of the Responsible Business Committee (see our ESG governance framework on page 91).

Climate change governance

The governance of climate change risk and opportunities is ultimately the responsibility of the Board. However day-to-day management is delegated to the Executive Committee and senior management. During the year, the Board accelerated our ambition to become net zero carbon and we explain on pages 80 to 81 the challenges, targets and activities to achieve this goal by 2030.

Our strategy and targets for energy consumption and carbon emissions are set and monitored by the Board. The Board and Executive Committee receive regular updates and presentations on environmental and sustainability performance and management matters from the Head of Sustainability.

The Board monitors the Group's progress through our science-based targets which were independently validated and approved by the Science-Based Target initiative (SBTi) in 2019. In addition, performance is externally assured by Deloitte LLP - our 2019 Scope 1, 2 and 3 GHG emissions data, intensity ratio and energy data received 'Public Reasonable Assurance'. Our Green Finance Framework received independent assurance from Deloitte that it is aligned with the Loan Market Association's Extended Green Loan Principles from December 2018 (the assurance statement is available on our website).

We report under several frameworks to provide a complete picture of our progress and activities and to allow comparison with our peers and other companies (see pages 78, 82 and 83).

Our sustainability work has drawn external recognition. We maintain Greenstar status in the Global Real Estate Sustainability Benchmark (GRESB) index with a score of 80, we are listed in the FTSE4Good index and maintain our CDP rating of Management B.

In May 2019, the Responsible Business Committee received training on the Task Force on Climate-related Financial Disclosures (TCFD), further information on training is on page 111. Our TCFD disclosures are on page 83.

Climate Change Governance

Sustainability Committee

Informs the Executive Committee and Responsible Business Committee on climate risk and appropriate management measures taken

Sustainability Team

Develops and implements appropriate management measures across the business
Identifies climate risk to inform the risk management process

Supply chain governance

It is important to us that our suppliers and construction partners operate ethically and share our ESG business principles. Our development projects can span several years and impact upon numerous stakeholders and the environment. It is therefore critical that we carefully chose and manage our development relationships.

Our supply chain governance procedures ensure our suppliers are aware of the standards we expect from them and the business practices which we will not tolerate. All suppliers with whom we spend more than £20,000 per annum are required to provide evidence of how they are complying with our Supply Chain Sustainability Standard (the Standard), which includes a minimum requirement that any form of corruption, bribery or anti-competitive behaviour or actions are not tolerated within our supply chain (see page 138 for further information).

p.19 How we engage with our suppliers

Tax governance

We take our obligations as a taxpayer seriously and focus on ensuring that, across the wide range of taxes that we deal with, we have the governance and risk management processes in place to allow us to meet all our continuing tax obligations. The Board has overall responsibility for our tax strategy, risk assessment and tax compliance. Our statement of tax principles, which is approved by the Board, is available on our website.

The Group's Senior Accounting Officer (SAO) is our Chief Financial Officer, Damian Wisniewski, and we employ an experienced Head of Tax, David Westgate, who has dealt with our tax and REIT compliance since 2008. Together, they report to the Board, Audit and Risk Committees on the implementation of the Group's tax strategy and compliance. They also report on key changes in relevant tax legislation and practice. When appropriate, the tax consequences of all significant commercial transactions are reviewed by the Board as part of its 'due diligence' considerations.

To maintain our REIT status, we are required to comply with the REIT regulations. The Board receives frequent reports on our compliance with the regulations and the Audit Committee meets with the Head of Tax at least annually. Day-to-day tax administration is delegated to suitably trained members of the finance team with the input of qualified external tax advisers, where necessary. An overview of our internal controls for taxation, including how we seek external assurance from third parties, is on page 127.

We have an open and transparent relationship with HMRC and seek to anticipate any tax risks at an early stage, including clarifying areas of uncertainty with HMRC as they become evident. We keep HMRC informed of how our business is structured and respond to all questions or requests promptly. Our Head of Tax also regularly engages with HMRC via his roles with the Chartered Institute of Tax and the British Property Federation to support consultations or to seek legislative clarification in areas that could potentially impact our business.

p.48 Tax risk

Protecting human rights

The protection of human rights and fundamental freedoms is one of our key ESG priorities which we manage from an internal (within our business) and external perspective (within our supply chain and our relationships with contractors).

p.137 Human rights and modern slavery

Our ESG governance framework



Additional governance disclosures

p.07 Non-financial highlights	p.95 The section 172(1) statement
p.138 Responsible payment practices	p.138 Supply Chain Sustainability Standard
p.109 Whistleblowing	p.133 Anti-bribery & corruption