
DERWENT
LONDON

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A DERWENT LONDON REPORT

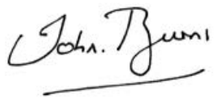
# CEO FOREWORD

At Derwent London sustainability is a very important part of our business model and approach to delivering and operating our spaces. I am pleased to report that we have achieved a great deal over the past year in what has been another successful and busy year for our business.

London is a key global city which plays an integral role in helping to set international standards. So during 2016 we reviewed our approach to climate change resilience in light of the international Paris climate change agreement (COP21) to which the UK is a signatory. As a result we developed a long term, science based carbon reduction target which will help us manage our carbon footprint on a long term basis. Whilst keeping abreast of international developments we also make sure we continue to focus locally on the neighbourhoods in which we operate, and our community fund continues to support a wide range of grass-roots projects with over £110,000 invested in 2016.

We were delighted to win a number of prestigious awards. We retained our five star (Greenstar) status in the GRESB index and were awarded gold for our sustainability reporting in the EPRA reporting awards. This year we were ranked 12th and the highest placed UK company in the Corporate Knights 2017 Global 100 world's most sustainable companies – the list is announced at the World Economic Forum meeting in Davos each year, and rates the world's largest companies on their sustainability performance as well as their management of resources, finances and employees.

This report provides a detailed review of our 2016 sustainability activities, which I hope gives you a good measure of our efforts in this important area – I hope you find it interesting.



**John Burns**
Chief Executive Officer



# RECOGNITION IN 2016

**EPRA Sustainability Reporting Awards 2016**
Awarded Gold for the fourth year in succession

**CDP**
Management B rating

**FTSE4Good**
We are listed in the FTSE4Good index and achieve a super-sector score of 78

**GRESB (Global Real Estate Sustainability Benchmark) 2016**
5 star rating (Green Star status) retained for the fifth year in succession and our score increasing from 74 to 78

**Corporate Knights 2017 Global 100 most sustainable companies**
12th in the Global 100 list and highest ranking UK company

# INTRODUCTION

Welcome to our fifth stand-alone annual sustainability report. In what has been another busy and successful year for our business, we are pleased to report that we have continued to make improvements in our performance and broadened our work.

Following feedback from our stakeholders last year we set about developing a new sustainability standard for our supply chains. The standard has been designed to articulate a range of environmental, social and governance issues which are important to us – for example employment/labour standards, health and safety and payment practices. In addition, to communicating the standard to our supply chains, it has now become a feature of our contractual agreements with our suppliers and will be monitored to ensure it is being implemented robustly – the standard can be found at www.derwentlondon.com/sustainability/approach.

As John Burns mentions in his foreword we have undertaken an extensive review of our approach to climate change resilience, and how we can align our efforts to those of the Paris climate change agreement and the UK's own carbon plan. This resulted in us developing and agreeing a set of science based targets designed to help manage our carbon footprint long term and ensure that our portfolio is resilient. Further details of this work are set out on page 20.

Looking at our carbon reduction activities more closely we continue to see reductions in our footprint and energy consumption profiles, with a 6% carbon reduction in our like-for-like portfolio and 6% energy reduction on our total managed portfolio when compared to our 2015 baseline. Overall we have seen like-for-like carbon and energy reductions of 32% and 22% respectively when compared to our 2013 baseline, comfortably exceeding our energy reduction target.

This performance has received external recognition. We retained our GRESB Greenstar status, and improved our CDP rating to 'Management B'. Moreover, we again received a gold award for our sustainability reporting in the EPRA reporting awards. We were also listed for the first time in the Corporate Knights 2017 Global 100 most sustainable companies, placing 12th overall and the highest ranked UK company.

We hope this report gives you a clear picture of our efforts over the past year and what we have in store for 2017 and beyond.

**John Davies**
Head of Sustainability

**Paul Williams**
Executive Director
for Sustainability

# 2016 HIGHLIGHTS

5 **6%**

Reduction in our like-for-like carbon emissions

4 **6%**

Reduction in energy use in our total managed portfolio

3 **5%**

Increase in our waste recycling rate from 68% to 73%

2 **£350,000**

Invested through our community fund to date

1 **234 hours**

Volunteering hours

# ABOUT OUR REPORT

We are always looking to improve our reporting to make it as insightful and relevant to our stakeholders as possible – taking account of the latest best practice and updates to reporting frameworks.

## Structure

The structure of our report is centred on our four key sustainability priorities as we feel they best reflect the way we operate our business day-to-day and its context. These are:

- Designing and delivering buildings responsibly
- Managing our assets responsibly
- Creating value in the community
- Engaging and developing our employees

We supplement these with commentary and insights on other key areas where necessary or where we think it will be valuable to our stakeholders.

## Scope

Our reporting is based on activities undertaken during our last financial year which is set to the calendar year – 1 January 2016 to 31 December 2016. It covers the activities of our central London focused business which did not change during 2016. The boundary treatment used for our data, together with the calculation and aggregation methods are set out in our in depth data report which can be found on page 54.

## Assurance

We have expanded again the scope of our data assurance with the broadening of our Scope 2 emissions to include a new market based emissions factor. Deloitte LLP's assurance statement and opinion of our data can be found on pages 68–69.

## Reporting frameworks

To enable our stakeholders to compare and contrast our reporting effectively we compile and align our outputs in line with two reporting frameworks namely the GRI G4 core requirements and the EPRA Best Practices Recommendations on Sustainability Reporting. This allows for both a broader international comparison (GRI) and a property specific one (EPRA). Summaries of both can be found on pages 70-73 and 74-85 respectively.

We also provide a summarised account of our sustainability performance within our Annual Report and Accounts, where we cross-reference relevant sections to support our GRI reporting. This report can be found at www.derwentlondon.com/investors/results-and-reports.

## Materiality

We provide a summary of our material issues together with our materiality matrix on page 86-87.

Greencoat House SW1

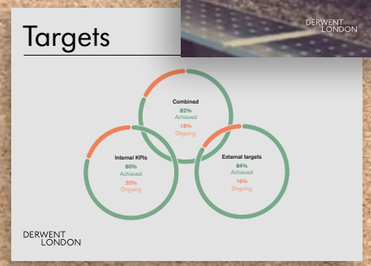
Direction

Action

Communication





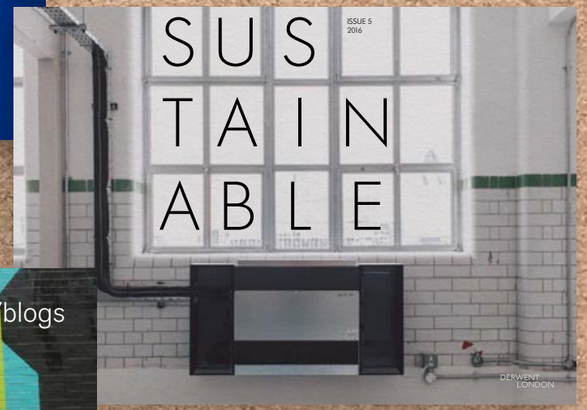


# HOW WE APPROACH SUSTAINABILITY

Although sustainability forms a central part of our business model we are often asked about our approach to it and how it works in our business. Fundamentally we adopt as simple approach as possible, to make sustainability easy to understand and easily actionable but above all relevant to our stakeholders. To do this we focus our efforts around three key steps – direction, action and communication.

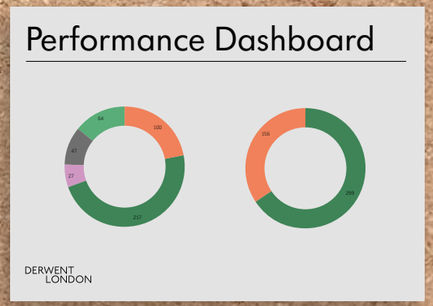
Within each of these steps we use a wide variety of activities, tools and processes; also there are a range of people and teams who play a part in making our sustainability work as successful as possible.

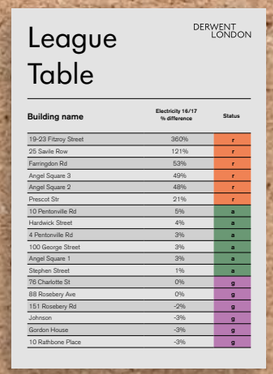
External



Internal



# EXTERNAL PERSPECTIVE

**Following on from our first sustainability journey review with the UK-GBC in May 2015 – www.ukgbc.org/resources/sustainability-journey/sustainability-journey-derwent-london, we invited Chief Executive Julie Hirigoyen and Sustainability Officer Natalia Ford to re-visit our journey and offer their insights into how we are progressing, and how we can improve.**

"Since last year, 132 countries (representing 55% of global emissions) have ratified the COP21 Paris Accord. This agreement confirmed a course to a net zero economy by the latter half of the 21st century, and continues to raise the importance of organisations setting long term, ambitious targets – a trend which we're delighted to see has picked up pace amongst organisations in recent months. Derwent London has continued to push forward in the fight against climate change and has received significant recognition for its work. Highlights include an increased score of 78 in the 2016 GRESB Survey, a B rating for its CDP carbon reporting and, for the fourth year running, an EPRA reporting Gold rating. It also achieved global recognition in Corporate Knights' 100 most sustainable companies, achieving an impressive 12th place in the ranking.

Derwent London has focused this year on its supply chain. It is one of the few UK-GBC members which has not only created a Supply Chain Standard but also, in keeping with the transparent policies of the organisation, shared it publicly online.

Measuring the embodied carbon of its assets has long been a policy at Derwent London and it has continued to broaden its knowledge in this field. Working as part of a specialist group of UK-GBC members, it has used its client perspective to provide guidance to the rest of the client community on how to commission and understand embodied carbon assessments. Its experience has helped to create a resource that can be used by clients and is a great example of sharing lessons openly within the industry. Likewise its work to understand its total carbon footprint, both operational and embodied, demonstrates leadership in this area. We would encourage further progression in developing an even more comprehensive picture of the entire footprint, including Scope 3 emissions from their supply chain (building on the work undertaken in the Supply Chain Standard) and expanding the boundary of its embodied carbon assessments on all assets towards a cradle-to-grave assessment. As such it could be one of the first real estate investment trusts to fully understand the scale of emissions that come under its control or influence.

The health and wellbeing of our built environment has continued to spark interest in the UK-GBC network, and Derwent London's assets have encapsulated the use of health and wellbeing principles with features such as a rooftop running track on top of the White Collar Factory building. As a leading organisation in this area, we would like to see Derwent London using UK-GBC's framework for measuring health and wellbeing, informing its work with tenants on this issue and sharing lessons with industry on its findings. Likewise placing the environment and health and wellbeing at the heart of asset management strategies which could drive even greater demand for sustainable workplaces.

Embedding sustainability in processes and practices was a step UK-GBC recommended in last year's report. This year, it is encouraging to see clearer communication and transparency around the sustainability practices embedded in the organisation and who undertakes them. Derwent London has also taken the positive step of looking beyond the 2018 horizon with the setting of long term science-based targets, a recommendation set by UK-GBC following our "Sustainability 360" review of its Gold Leaf members. We are eager to see how Derwent will embed these targets in its processes. We believe that last year's recommendations of tying sustainability objectives to performance appraisals and an organisation-wide sustainability training programme will help Derwent to fully integrate sustainability into the core business.

We would recommend that Derwent London also participate fully in sustainability issues that are becoming of vital importance to London. Issues such as air quality, designing out waste, and circular economy principles can no longer be ignored by UK-GBC members. The reporting of findings and sharing of lessons on these issues continues to be critical in achieving a truly sustainable built environment.

UK-GBC membership requires a commitment to creating a sustainable built environment and we hold its hardest working members to high account. We hope that Derwent London continues to be a pioneering organisation in sustainability and continues to work with us in delivering the UK-GBC mission of a built environment that enables a high quality of life for people, within the limits our planet can support."

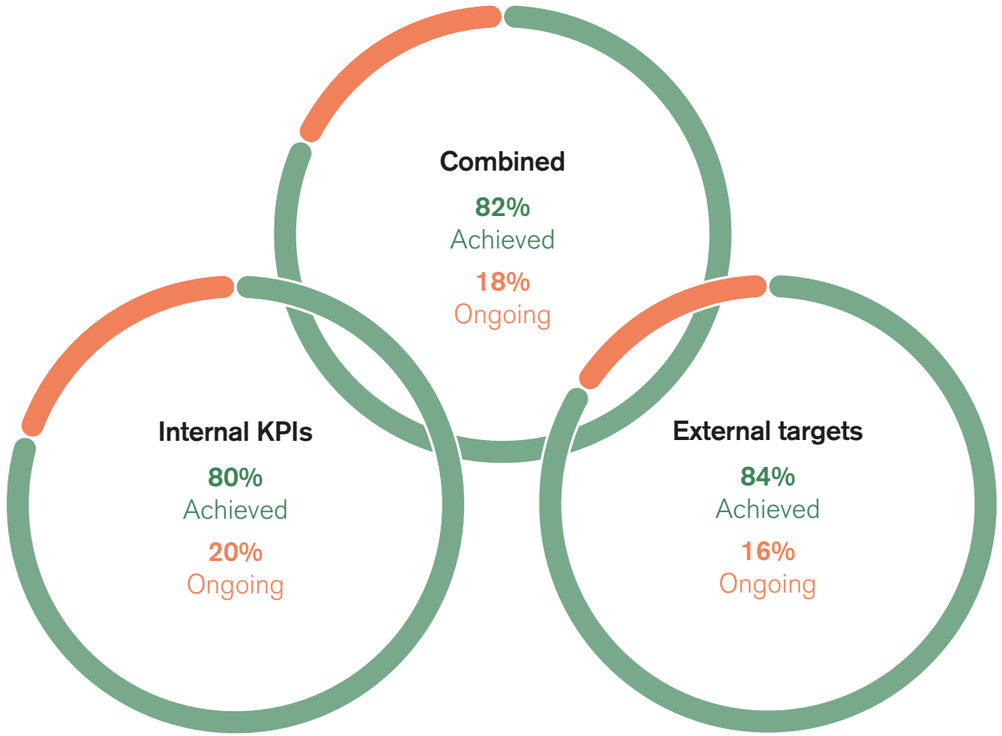
Natalia Ford, Sustainability Officer (left)
Julie Hirigoyen, Chief Executive (right)

UK GREEN BUILDING COUNCIL

# OUR PERFORMANCE

Since 2015 we started to introduce more stretching, longer-term targets, designed to challenge us whilst ensuring we deliver against our strategic sustainability objectives. This continued into 2016 where we added targets to improve our performance. Moreover, we updated and strengthened our internal key performance indicators to ensure we maintain our high standards.

Similar to last year we have set out a breakdown of our performance – both in terms of our external targets and internal key performance indicators to give a complete picture of our performance.




Overall, we achieved 82% of our targets and KPIs with 18% still ongoing. We believe this represents very good progress.



## Engaging & developing our employees

| Performance measure | Status | Commentary |
|---|---|---|
| **External targets** | | |
| Develop and stage a schools based young person's career workshop | ● | A careers workshop was held at Highbury Grove School, Islington in June 2016, with 16 Derwent London employees and 24 students attending. |
| Review and streamline the mid-year review appraisal forms | ● | The mid-year review process was reviewed and streamlined and the appraisal forms updated accordingly. |
| Deliver eight technical/knowledge sharing workshops during 2016 | ● | 12 technical project and knowledge sharing presentations were delivered from various teams across the business. |
| Set up a staff working group following on from the staff survey to identify and review areas of improvement and opportunity | ● | The working group was set up and met three times during the year. The outputs and recommendations from the meetings were collated and presented to the Executive Committee. |
| Deliver three 90 minute bite size sessions across the company | ● | Three 90 minute lunchtime training sessions were delivered by Mind Gym for various levels of management. |
| Develop a new building management trainee opportunity in our managed portfolio | ● | We worked with the London Borough of Islington Learning Skills and Employment Team to find an Assistant Building Manager. This resulted in us recruiting Nathan Joseph who started work at our 20 Farringdon Road building on 1 August 2016. |
| Provide at least two work experience and/or mentoring placements | ● | We provided 11 work experience opportunities during 2016 and one mentoring placement. |
| Survey and record the modes of transport our staff use to commute to and from their place of work as part of our carbon measurement programme. | ● | A survey of all our staff was undertaken to assess their transport carbon footprints. |
| **No internal KPIs** | | |

## Designing & delivering buildings responsibly

| Performance measure | Status | Commentary |
|---|---|---|
| **External targets** | | |
| Using lessons learnt and elements from our White Collar Factory concept, develop at least one new development proposal and gain planning permission in 2016 | ● | We gained planning permission for a full refurbishment scheme on our Monmouth House property which utilises some of the White Collar Factory principles. |
| Achieve a minimum of BREEAM Excellent for all new build projects | ● | This applies to four projects; three are on track to achieve their Excellent ratings, whilst one is on track to achieve its Outstanding rating at post completion. |
| Achieve a minimum of BREEAM Very Good for all major refurbishment projects | ● | This applies to one project which is on track to achieve a post completion enhanced rating of Excellent. |
| Achieve a minimum of LEED Silver for all major new build and major refurbishment projects | ● | This applies to three projects. Two are on track to achieve a Gold rating whilst one is on track to achieve a Platinum rating. |
| Review and approve a new replacement assessment for our residential projects | ● | We are currently reviewing the application of the Home Quality Mark on a current pipeline project to assess suitability. |

| Performance measure | Status | Commentary |
|---|---|---|
| All new build and major refurbishment projects to undertake a design energy assessment based on CIBSE TM54 | ● | This applies to two projects which are currently being undertaken, but owing to the design stage position we are not yet able to complete the assessments. |
| Launch our Sustainability Supply Chain Standard with our development supply base | ● | We launched our standard to all our directly employed development suppliers asking them to formally respond stating they had received, read and understood the details of the standard. |
| **Internal KPIs** | | |
| All new projects to create and maintain a Project Sustainability Plan | ● | All active projects (large and small) have a plan in place which is being monitored and measured accordingly. |
| All new build and refurbishment projects >5,000m$^2$ 100% of meters to be AMR capable and installed on: all main incoming feeds (electricity/water/gas); landlord lighting and small power; tenant lighting and small power; all major energy using equipment e.g. heating and cooling plant and renewable & low carbon energy generation sources e.g. PV, CHP plant | ● | All projects have these requirements incorporated into their design strategies. |
| Minimum of a 'B' rating for new build. Minimum of a 'C' for all major refurbishments | ● | All projects have achieved or are on track to achieve the minimum ratings required. |
| All new build and major refurbishment projects at RIBA Stage C to undertake an embodied carbon assessment in line with the Derwent London embodied carbon brief for developments, and contractors to map and monitor the footprint during the delivery phases. | ● | Two of our development proposals have ongoing assessments. |
| All new build and refurbishment projects >5,000m$^2$ to be designed to achieve mains water usage of better than 0.40m$^3$/m$^2$ | ● | All applicable projects have incorporated this requirement into their design briefs. |
| Divert 90% of total construction and demolition waste tonnage from landfill | ● | In 2016 we achieved a 98% diversion rate. |
| All new build and major refurbishment projects to ensure that a minimum of 15% of the total value of materials used contain recycled and/or reused content, measured using the WRAP Net Waste Tool | ● | All applicable projects have undertaken their recycled content assessment during the design stage and have confirmed alignment. |
| 100% of timber procured to be from FSC or PEFC sources | ● | This requirement forms part of our standard contract requirement pack with all active sites reporting compliance with this requirement. |
| All new build and major refurbishment projects to achieve a net gain in biodiversity as measured through BREEAM | ● | All applicable projects have achieved this. |

## Managing our assets responsibly

| Performance measure | Status | Commentary |
|---|---|---|
| **External targets** | | |
| Complete Phase 2 (landlord and tenant sub-metering) of our AMR programme by the end of 2016 and review portfolio for opportunities for 'ultra-fine' landlord sub metering. | ● | All phase 2 ultra-fine landlord sub-metering has been completed, whilst three more properties have been selected to have EP&T energy analytics systems installed. |
| Achieve a 15% reduction in landlord influenced energy consumption across our like-for-like managed portfolio by 2018 compared to our 2013 baseline | ● | Measuring our energy consumption performance to date we comfortably exceed the target by 7% and forward performance projections/scenarios indicate we will continue to exceed the target by 2018. |
| Achieve a 10% reduction in landlord influenced scope 1 & 2 emissions across our like-for-like managed portfolio by 2018 compared to our 2013 baseline | ● | As above we will be replacing this target with a new, long term science based target. Likewise we comfortably exceeded the target by over 20% to date and expect to continue to do so by 2018. |
| Increase recycling rate to 70% for managed waste in all properties for which Derwent London has management control of waste by 2017 | ● | We have exceeded our target by 3% achieving a recycling rate of 73%. A new target is being set for 2017 onward. |
| Achieve a 5% reduction in water consumption intensity across our like-for-like managed portfolio by 2018 compared to our 2015 baseline | ● | We currently have a 1% reduction compared to our 2015 baseline and our consumption reduction work continues to be a priority for us. |
| Ensure our contracted operational supply chain operatives are receiving the London Living Wage across our managed portfolio by 2017 | ● | We are on track to achieve this by the end of 2017. |
| Launch our Sustainability Supply Chain Standards with our operational supply base | ● | We launched our standard to all our directly employed property management suppliers asking them to formally respond stating they had received, read and understood the details of the standard. |
| **Internal KPIs** | | |
| Carry out a post occupancy energy performance evaluation on all new build and major refurbishment projects once occupied for more than 12 months | ● | We completed a post occupancy energy evaluation at our Buckley Building property in August 2016. |
| Send zero waste to landfill from properties for which Derwent London has waste management control | ● | We maintained zero waste to landfill in 2015. |
| Maintain portfolio mains water consumption in the like-for-like managed portfolio below 0.43 m$^3$/m$^2$ | ● | We continue to monitor our managed portfolio consumption. |
| Produce two editions of the tenant sustainability newsletter during 2016 | ● | Two editions of our newsletter 'Sustainable' were produced. |
| All Building Sustainability Plans are to be monitored and formally reported on a quarterly basis | ● | All building plans were monitored and reported on each quarter during 2016. |

## Creating value in the community

| Performance measure | Status | Commentary |
|---|---|---|
| **External targets** | | |
| Develop and successfully deliver year four of the Fitzrovia Community Investment fund | ● | Year four was successfully launched with seven projects supported by the fund. |
| Develop and successfully deliver the first year of the Tech Belt Community Investment fund | ● | The first year was successfully launched with 13 projects supported by the fund. |
| **Internal KPIs** | | |
| Carry out a socio-economic assessment on all major projects once occupied for more than 12 months to establish net impact/benefit of the development | ● | No projects fell within the scope of this KPI during 2016. |

# CARBON

Similar to previous years we yet again saw further reductions in our carbon footprint in 2016. Our corporate footprint decreased by 9% and our like-for-like footprint (which is buildings related only) decreased by 6% compared to 2015.

Our reductions to date against our 2013 baseline show a 33% and 32% reduction in our corporate and like-for-like footprints respectively, which comfortably exceeds our 2018 reduction target, and demonstrates the effectiveness of our carbon/energy management programme and building sustainability plans.

Carbon intensity ($tCO_2e/m^2$) also reduced by 5% following the 11% reduction we saw in 2015.

To show a complete picture of the carbon generated from our business activities, we again set out both our own carbon footprint and our tenant's emissions. This gives a more transparent view of the carbon which we directly influence and can subsequently manage, versus the carbon emissions which we cannot directly manage.

Our reporting is set out in line with the Greenhouse Gas (GHG) Corporate Accounting Standard. For full details of our approach to carbon and calculation methodology please see our data report, page 54. In addition to this we also include our corporate carbon footprint in the Directors' report of our Annual Report and Accounts, which can be found at www.derwentlondon.com/investors/results-and-reports on page 113.

## Carbon Reduction Commitment (CRC)

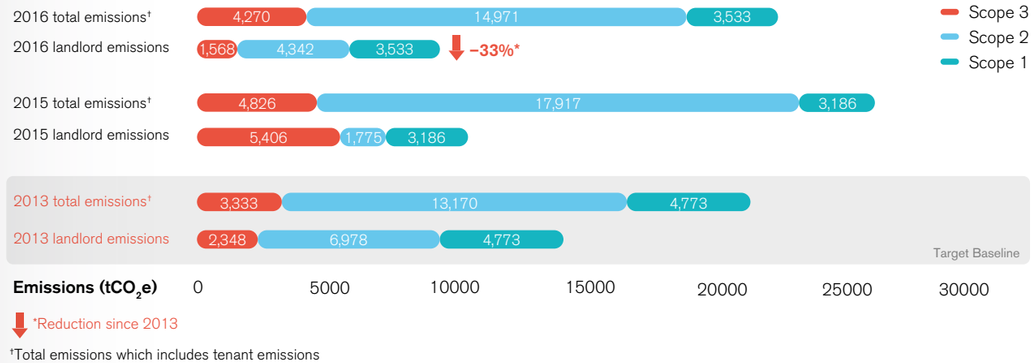
In line with our obligations for this period (2015-2016), we ordered 22,624 tonnes of $CO_2$ and purchased allowances to the value of £382,345.60 at the new increased price of £16.90/$tCO_2$. This would have been £371,033.60 at t he old purchase price of £16.40/$tCO_2$.

In the previous period (2014-2015) we reported and ordered 21,296 tonnes $CO_2$ and purchased allowances to the value of £255,552 (at £16.40/$tCO_2$).

It should be noted that the CRC accrual period follows the fiscal year and our corporate carbon reporting period operates in line with our financial year which is set to the calendar year. As a result, the reported tonnages are not comparable. Moreover, the CRC only focuses on specific energy supplies, some of which we do not have operational control over and therefore do not report on, and we also report carbon based on carbon equivalent ($CO_2e$) not just $CO_2$.



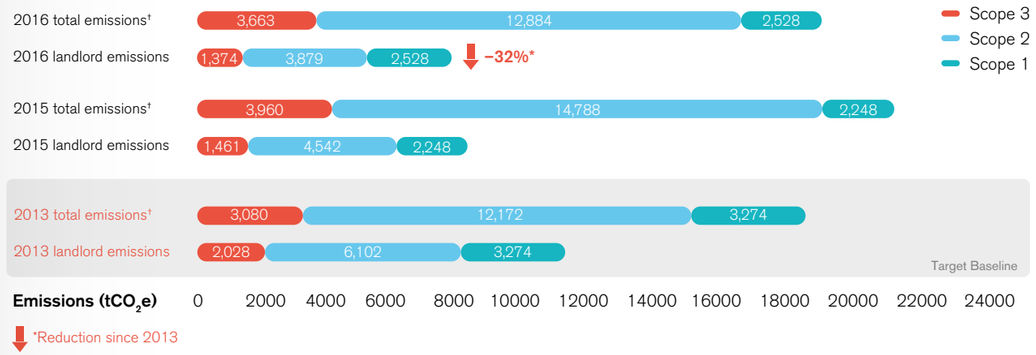
### GHG emissions by source – total managed portfolio including corporate based emissions




*Reduction since 2013

†Total emissions which includes tenant emissions

### GHG emissions by source – like-for-like managed portfolio (buildings only)




*Reduction since 2013

†Total emissions which includes tenant emissions






# CLIMATE CHANGE

Resource efficiency and in particular greenhouse gas/carbon emissions is a material issue for our business[1] and our stakeholders expect us to take a proactive stance in reducing emissions as much as possible.

As set out in the previous section, since 2013 we have seen very good levels of carbon reduction thanks to the effectiveness of our management programme which is deployed across our portfolio. However, we realise that there is more to do in order to keep pace with international developments and the evolving risks and opportunities presented by climate change.

[1]For more details on our material issues please see our materiality matrix on page 86

Following the signing in April 2016 of the first global agreement on climate change (COP21) and the UK's ratification in November 2016, a clear policy signal was sent by Government (in addition to the existing Climate Change Act 2008) that industry must start planning to ensure their businesses are resilient to the effects of climate change and reduce their carbon footprints.

To support this movement and ensure we are minimising our risk exposure to the effects of climate change on our portfolio, we have developed a comprehensive management strategy which is underpinned by a challenging science based target designed to guide our business long-term.






## Setting a science based target

In response to the COP21 agreement we commissioned Arup to work with us to assess the impact of the agreement on our business and to create an appropriate target to ensure our performance was compliant with its objectives.

For a target to be considered science based it must be in line with the level of decarbonisation required to keep global temperature increases below 2°C. To ensure any target was relevant and appropriately stretching Arup reviewed a series of datasets and approaches to help us decide on the best direction – recognising that currently there is no universal/prescribed approach to this kind of target setting.

The two primary approaches selected for further analysis were the Sectoral Decarbonisation Approach (SDA) developed by the Science Based Targets initiative (SBTi), which utilises the International Energy Agency's (IEA) Energy Technology Perspectives 2°C scenario data, and the UK Carbon Plan 2050 Futures model(s). Both have datasets which encompass real estate/property amongst other things, however differ in their ultimate measurement approach and geographic reference. The SDA approach operates on the principal of allocating a carbon budget to each sector with the assumption that the carbon intensity of each company will converge with the sector intensity for the 2°C scenario by 2050, and is globally focused. The UK Carbon Plan data scenarios are a series of 'stress-tests' designed to show a number of decarbonisation routes to get to a 80% reduction scenario in GHG emissions by 2050, and is UK specific.

Following data analysis in both these approaches it became clear that there were large variations in the data and the assumptions used, likewise the specific real estate data is difficult to pinpoint as it was bound together with different sectors e.g. agriculture. As a result it was difficult to align our business activities to the data. However, it was decided that this should not stop us from getting started and setting a target. So in the first instance we have opted to use the UK Carbon Plan, Core Run MARKAL model scenario to help track our progress as it is the most specific to our business – being solely UK/London focused. However, we will also track our progress against the IEA data to reflect the international perspective and give our stakeholders a broader assessment of our progress. We will regularly review both of these datasets going forward to see if the real estate sector data becomes more specific and refined, likewise whether any new datasets emerge which will enable us to more closely align our business activities.

The next step we took was to plot our carbon emissions against the two baselines to ascertain our current emissions profile and the subsequent reduction milestones required to create our target. This showed that we had made very good progress since 2013 by reducing our Scope 1 and 2 carbon emissions by 27%, keeping us well below the IEA and UK Carbon Plan reduction trajectories. The result of this led us to set the following target of a reduction in carbon emissions intensity of:

– 36% by 2022 and 55% by 2027

To measure our targets we will use our 2013 emissions profile (Scopes 1 and 2) as our baseline based on emissions intensity per metre squared of landlord controlled floor area, across our managed like-for-like portfolio.

Complementing this we have also set an energy intensity reduction target which we will use as a management target to track performance across our managed like-for-like portfolio, which is:

– 10% by 2022 and 16% by 2027

The reason for this additional target is because carbon output is calculated from energy consumption, and the conversion factors used change overtime to account for shifts in areas such as national grid decarbonisation. As a result the energy target will allow us to track progress adjusting for this variability.

## Implementation

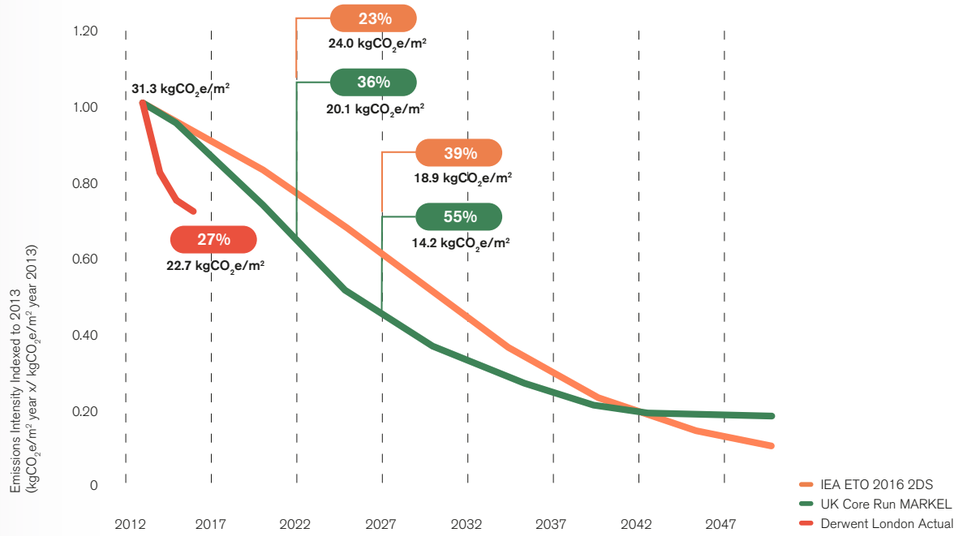
In order to successfully roll out our new target we have undertaken an impact analysis of our current approach to the design and management of our buildings, and as a result we will be enhancing our management approaches to ensure we meet our targets. For example we will be introducing tougher energy requirements for new developments and reviewing/updating all our Building Sustainability Plans to incorporate the efficiency enhancements required in the relevant time periods.

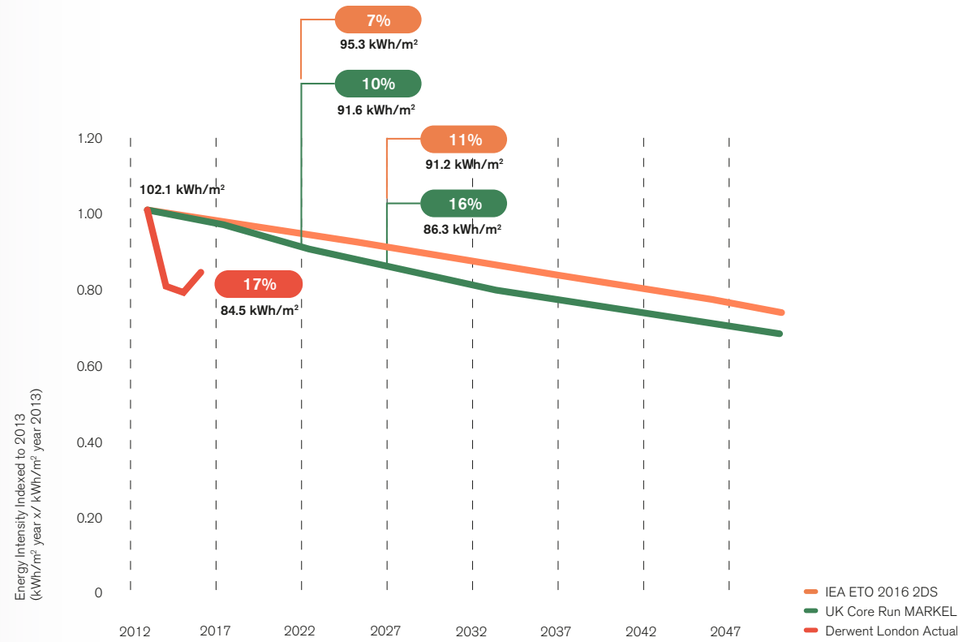
## Moving to 100% renewable electricity

Another element of our management strategy is understanding the make-up of the power we purchase, and what proportions are derived from renewable sources. Following a review of our managed portfolio with our utility brokers we are able to confirm that currently 97% of the electricity we purchase is from REGO (Renewable Energy Guarantees of Origin) certified sources. The remaining 3% relates to a cluster of buildings we purchased in late 2014 where we took over an existing fixed non-REGO energy supply contract. This contract will come to an end in 2018 when it will be switched to a full REGO certified supply contract, making our managed portfolio electricity supply 100% renewable.



### Our reduction trajectory



# DESIGNING AND DELIVERING BUILDINGS RESPONSIBLY

We continue to progress our approach to sustainability in our development portfolio, not just in the design and delivery of projects but also in the standards of our suppliers. During 2016 we launched a new sustainability standard for our supply chain, which has been designed to articulate a range of environmental, social and governance issues which are important to us – for example employment/labour standards, health and safety and payment practices. It has now become a feature of our contractual agreements with our suppliers and will be monitored to ensure it is being implemented robustly. A copy of the standard can be found at www.derwentlondon.com/sustainability/approach.

In this section we look at sustainability in our development projects including one very close to home – our own offices at 25 Savile Row W1. We also look again at the health and wellbeing agenda but this time focusing on occupier comfort and productivity from a tenant's perspective in a case study from Allford Hall Monaghan Morris (AHMM) on their own office space. New for this year we take a look at some of the people who make our sustainability programme a reality in our projects – the sustainability players.

**Performance**

98% of construction and demolition waste diverted from landfill

-

Launched our sustainability standard across our development supply chain

-

All projects on track to achieve their respective BREEAM and LEED ratings

The Studio, Greencoat House SW1

## 25 Savile Row refurbishment

We wanted to use the lessons we have learnt from our development activities in the refurbishment of 25 Savile Row, part of which will be our new office headquarters. We aim to produce a new space which delivers on the objectives of being efficient to operate, agile and healthy to work in but also encapsulates our design-led ethos.

Setting high sustainability standards is a key feature of all of our projects – and this project is no exception. So for the building sustainability elements specifically we set the team the target of achieving BREEAM Excellent for the refurbishment of the entire shell and core to Cat A, and then specifically for the fit-out of our office areas the attainment of a SKA Gold rating. The teams are currently on track to achieve both. Moreover, we have also undertaken extensive in-use energy assessments (using the TM54 methodology) to understand the likely energy/carbon intensity of our new fit-out together with various tenant occupation ratios within the building.

In addition, we also looked carefully at the design of the building and fit-out elements in terms of how we work and what we wanted from a new working environment. This included ensuring a variety of working, breakout and meeting spaces, optimising staff comfort, daylight and access to outside spaces.

Whilst work has yet to finish we look forward to setting out a more detailed case study in our next report.

# Health and wellbeing – occupant comfort and productivity

**Architects Allford Hall Monaghan Morris (AHMM) have been using their Morelands headquarters to explore how a flexible approach to building design and control can help reduce energy consumption and improve occupier comfort and productivity.**

Dr Craig Robertson,
Head of Sustainability, AHMM

Morelands is a building complex which AHMM has helped Derwent London refresh over the years using an architectural philosophy of simple sustainability principles that put people in charge of their environment through low or no energy conditioning, efficient structures, minimum applied finishes and ease of functional adaptation. AHMM has been based in the complex for some 20 years and, for just over three years, in the purpose-built, BREEAM Outstanding 1,600m$^2$ rooftop extension. This element consists of the top floor of the existing brick and concrete offices with an additional lightweight floor added onto the roof. The two studio floors are naturally ventilated and densely occupied and with generous breakout space and socialising areas.

AHMM's building performance team, with students from University College London's Environmental Design and Engineering MSc programme, conducted a study into delivering suitable thermal conditions for productivity using passive design and management strategies. The team carried out a longitudinal building use study (BUS) on their previous space and new spaces, moreover temperature and indoor environmental quality (IEQ) were recorded since moving into the new space.

Occupant productivity in offices can be affected by temperature therefore the study explored three related factors:

1. using passive design and management strategies;
2. whether relationships between temperature and productivity can be equally applied to free-running buildings (i.e. buildings with no mechanical ventilation); and
3. the cost and carbon implications of achieving productive thermal conditions by natural or mechanical means.

The UK legislative context forces us to think about buildings in a particular way, encouraging systems designed for fixed internal comfort thresholds, and British Council for Offices (BCO) guidance can become the default position for office design rather than the set of principles it is intended to be. In reality, occupant densities can be higher, and internal loads lower, while use patterns vary with hot desking, remote working, flexible hours and recreation areas incorporated into traditional office floors.

Temperatures in the studio were noted to be above the design targets all year round. Occupant density appeared to be driving internal temperatures with the studio spaces being occupied at a rate of 1 person per 6m$^2$. However, energy consumption was lower than the Part L compliance calculations, despite the equipment loads being higher than anticipated. The results of the survey indicated that regardless of temperature occupants perceived the building temperature as comfortable and the environmental conditions as productive, and there was a correlation between perceived comfort and perceived productivity. This indicates that productivity in free-running buildings is related to perceived thermal comfort rather than to fixed temperatures – which suggests that an adaptive comfort threshold is therefore a more appropriate measure.

As an adaptive threshold would increase according to changes in the external temperature, it has been shown that this is a viable strategy in future climate scenarios, and could avoid around 75kg of carbon emissions per meter square (and associated operational costs) caused by unnecessary cooling. Management strategies designed to exploit the strengths of the studio spaces have since been developed to ensure the studio is capable of being run passively, now and in the future. This requires occupant engagement encouraged through energy and IEQ data feedback integrated into the company intranet. AHMM has found that using its own office as a test bed for investigating environmental strategies informs their own architects about thermal comfort, building physics, operational management and strategy – invaluable knowledge which can be applied to new projects across their practice.

## Sustainability players

**As with so many things teamwork is vital for achieving collective goals. The success of our sustainability programme is not down to anyone person, but the hard work and dedication of our teams – all of whom have a part to play in turning our strategic priorities and targets into reality. Here we get an insight from some of our Development and Project Managers who are central to two of our latest projects, White Collar Factory EC1 and The White Chapel Building E1, and ask them how sustainability factors into their roles.**

**Matt** – "We have set some very challenging sustainability requirements which our contractors Multiplex are on track to meet e.g. BREEAM Outstanding and LEED Platinum. In addition, as part of our corporate standards, we have a project sustainability plan in place with additional targets and reporting requirements for the project, which I ensure are met and reported back to the business."

**Benjamin** – "From the outset the White Collar Factory concept has been designed to encapsulate sustainable thinking; lean design, longevity, flexibility, efficiency and climate resilience. As Development Manager I have worked on the project from its inception, during which time we stretched the design team to develop a concept which is the first of its kind to be delivered into the London and UK market."

**White Collar Factory EC1**
Benjamin Lesser, Development Manager (left)
Matt Massey, Senior Project Manager (right)


**Peter** – "Working with an existing building can be difficult, however we challenged the design team in exactly the same way as we would with a new build project to ensure we maximised the sustainability credentials of the building's refurbishment. We have updated the HVAC system, removed unnecessary equipment and installed new building and energy management systems."

**Jo** – "Although the scope of the project was straightforward it required me to develop a bespoke project sustainability plan with our sustainability team in order for us to capture the right level of performance. Then we could task our contractors, ISG, accordingly to deliver, and I could report to the business on progress."

**The White Chapel Building E1**
Peter Pulford, Development Manager (left)
Jo Benson, Senior Project Manager (right)

# MANAGING OUR ASSETS RESPONSIBLY

**Performance**

6% reduction in our like-for-like carbon emissions

-

6% reduction in energy use in our total managed portfolio

-

5% increase in our waste recycling rate from 68% to 73%

As mentioned in the earlier carbon section on page 18 we have again achieved some very good reductions in our carbon footprints – 9% and 6% in our corporate and like-for-like footprints respectively. We have also seen reductions in our managed portfolio energy use of 6% and a reduction in energy intensity (kWh/m$^2$) in the same portfolio of 5%. Likewise we have again seen an increase in our recycling rate up from 68% to 73% - a 5% increase on top of the 6% increase we saw the year before. This very positive performance is a testament to the effectiveness of our approach and the hard work of our property management teams.

In this section we look at some of the sustainability work we have been undertaking across our managed portfolio. This ranges from understanding in-use energy assessments from our developments and how this drives our strategies to looking at the lessons learnt from our 100% recycling initiative and how this has been fed into the managed portfolio. Similarly we hear from some of the people who make our sustainability work a reality across our managed portfolio.

## 100% waste recycling – lessons learnt

We reported last year that we wanted to see if it was possible to achieve a 100% recycling rate in our managed portfolio and, if it was achieved, how any lessons learned could be transferred across the portfolio. Following the success of our trial at 90 Whitfield Street W1 (which continues to achieve a 100% recycling rate), we have worked hard on improving our recycling rate across the managed portfolio and achieved a 100% rate at two other properties (4-10 Pentonville Road N1 and Network Building W1), and above 80% at four properties (25 Savile Row W1, 9 Prescot Street E1, 90 Whitfield Street (Retail) and 1 Oliver's Yard EC1).

During 2016 we focused on some of the new arrivals to the portfolio as many of them we found were operating with low levels of waste recovery and recycling – properties such as 9 Prescot Street and 20 Farringdon Road EC1. In both these properties a full review of the recycling facilities was undertaken and a new strategy for each building created with the number of general waste facilities reduced and recycling increased. At 20 Farringdon Road tenants were already in-situ, so one-to-one briefings were held with each tenant to discuss and agree the new facilities and operational regime. As a result both properties increased their recycling performance significantly – 9 Prescot Street from 27% to 90% and 20 Farringdon Road from 50% to 89%. These results, combined with the rest of the portfolio, has enabled us to beat our overall 70% recycling target and increase it further to 75% by the end of 2018.

## Advanced energy benchmarking

Designing for operation is important for our business as we often retain management control of the buildings we develop. So, understanding the likely energy performance of the buildings we design and develop is important. As a result we introduced the requirement for all our new developments to undertake an in-use energy assessment following the CIBSE TM54 methodology to help us understand the likely impact on our energy footprint of new buildings with tenants in occupation. As part of the assessment we ask the design team to model and analyse a variety of occupation densities from 6m$^2$/person to 10m$^2$/person to reflect how our buildings are often populated, likewise broader hours of operation which can vary substantially from the assumed "9-to-5" working day and the "6-till-6" building operations format.

We use the findings from the assessment in the new Building Sustainability Plan for a building where the energy intensity profile is used to set the benchmark for the first year of operational performance. From that first year of operation the data is then analysed to assess seasonal impact and any changes to building operation that may have occurred. Following this analysis the data is then re-cast to create a new optimised performance benchmark for the building management team to work to and report against on a monthly basis.

The Studio, Greencoat House SW1

## Sustainability players

**Similar to the section where we heard from some of the Development and Project Management team, here we get an insight from some of our Property Management colleagues who also work at The White Collar Factory and The White Chapel Building and ask them how sustainability forms a part of their roles.**

**Graham** – "As Building Manager I am in the lucky position to be looking after one of the company's latest and most efficiently designed buildings. Although the tenants are yet to move in I will be looking to set up a building Green Forum where I can bring tenants together, and help them realise the sustainability benefits of the building and how it can benefit them."

**Laura** – "As team leader for the Property Management team I have responsibility for the setting and management of the service charge budgets across the portfolio. Therefore, I have to evidence to the tenants the energy/carbon efficiencies and savings when carrying out any major works, likewise the sustainability credentials of the contractors we employ. Here at White Collar Factory we will be working hard to help tenants realise the full range of sustainability benefits on offer – not least the lower running costs."

**Nigel** – "In the Facilities Management team we are regularly being set more challenging sustainability targets to meet. Part of meeting these challenges is to be happy to re-assess the way we manage our buildings, and to encourage new ideas within the team – whether these are very simple tweaks in processes or more technically complex solutions. We will be continually reviewing the best way to manage the White Collar Factory campus when our tenants move in to make sure it is running as efficiently as possible."

**White Collar Factory EC1**
Graham Jones, Building Manager (left)
Laura Townsend, Property Management Team Leader (centre)
Nigel Smith, Senior Facilities Manager (right)



**Gemma** – "Sustainability plays a part in almost all elements of my role. From ensuring that the equipment and plant in the existing buildings are operating as efficiently as possible to ensuring that the correct tools and equipment to monitor and improve efficiency are incorporated in the design of our new developments.

I particularly enjoy working with tenants, building managers and the sustainability team to discover and promote energy saving initiatives, something we will be doing plenty of here at the The White Chapel Building when all our new tenants have moved in."

**Karolina** – "The beauty of my role as a Building Manager here at The White Chapel Building (and other buildings I have managed) is that you can truly embrace sustainability and inspire change. You can see initiatives and projects come to life when likeminded people get together in building Green Forum meetings and create innovative ways to approach day to day environmental issues. The other interesting part of my job role is monitoring and investigation. Understanding how your building works is crucial in making it efficient and environmentally friendly. I really like learning about new technologies and innovations, however working closely with enthusiastic and charismatic people really makes it worthwhile. In the end, it is all about team effort."

**The White Chapel Building E1**
Gemma Norman, Facilities Manager (left)
Karolina Gasiorowska, Building Manager (right)

# CREATING VALUE IN THE COMMUNITY

Having a positive impact in the communities in which we operate is very important to us – it is a key factor when we deliver a new building. Since 2013 we have operated our unique community fund and now, in its fourth year, it has expanded to cover new areas of our portfolio and support even more grass-roots projects and initiatives across London. During 2016 the fund supported 20 organisations (7 in Fitzrovia and 13 in Tech Belt) with over £110,000 invested across a diverse range projects, details of which we set out in the following pages.

In addition to our community fund we also ensure regular community liaison during our major development schemes, recognising that development activity can have an impact on local residents and businesses. As such we require all our major scheme contractors to hold regular face-to-face drop-in sessions and issue newsletters to keep local residents and businesses informed on progress ensuring clear and pro-active community communications.

In addition to the community fund we also support a range of charities and good causes, and in 2016 we donated in excess of £200,000 to a range of organisations including Chickenshed, Norwood, Cancer Research UK and Teenage Cancer Trust.

**Performance**

£350,000

invested through our community fund to date

-

£244,700

charitable donations and wider community contributions

St Luke's Community Centre EC1

## Tech Belt

As reported last year, we committed to expanding the community fund to our Tech Belt portfolio, which comprises the villages of Islington, Shoreditch, Whitechapel, Clerkenwell, Holborn and Old Street. Unlike the Fitzrovia element of the fund we operate this part of the fund on a maximum grant basis of £5,000 per application but it is open to applicants twice a year. Also we have created a sitting decision panel with members from the London boroughs of Islington and Hackney together with independent observers to help us decide on which projects should receive funding.

Of the 50+ applications received throughout 2016, 13 projects were successful with £57,030 of funding being distributed across a diverse range of projects and initiatives.

The application process for the summer 2017 round of funding has now closed, and will open again for the winter round in September. We look forward to reporting on both rounds of funding in our next report.

**Summer 2016**

- **All Change Arts** – Meaning to Say creative project and Word Festival June 2017 for people with mental health problems
- **The Parent House** – Parent to Parent Outreach training programme, drop-in, mentoring, work placements and crèche
- **Theatre Centre** – Our Place community drama programme for young people
- **St Luke's Parochial Trust** – Older people celebration in October, Christmas Fayre and Christmas Day Lunch
- **St Hilda's East, Boundary Women's Project** – ABC confidence building network events for socially excluded women
- **Finsbury & Clerkenwell Volunteers** – Lunch and Telephone Club, support for older people around Old Street

**Winter 2016**

- **Centre 404** – EC1 family support and drop-in services
- **Quaker Court TMO** – Intergenerational story & drama project for local residents in Old Street area & Quaker Court
- **St Hilda's East Community Centre** – Older people's healthy living group
- **Inspire/ St Monica's Primary School** – iDiscover; programme introducing children to STEM careers
- **Inspire/Central Foundation Boys School** – Connecting Silicon Hack; an introduction to tech sector businesses
- **St Luke's Parochial Trust** – EC1 collaborative public art project around the theme of health and well-being
- **Islington Play Association** – redesign/rebuild the Toffee Park Adventure Playground wall, with local volunteers

St Luke's Community Centre EC1

## Fitzrovia

Of the 13 applications received in 2016, £55,544 was shared between seven successful projects:

**All Souls Clubhouse**
Supporting the Wednesday lunch club for the elderly.
www.allsoulsclubhouse.org

**FitzFest**
The annual music festival and education programme held in various locations around Fitzrovia.
www.fitzfest.co.uk

**The Fitzrovia Centre**
Project Feel Well Fitzrovia which provides a range of free or low cost physical activity sessions for older adults, local parents and local residents on low incomes.
www.fitzroviacommunitycentre.org

**The American International Church Soup Kitchen**
Supporting the kitchen running costs.
www.amchurch.co.uk/soup-kitchen

**Table Tennis Fight Club**
Community table tennis programme in Fitzrovia.
www.tabletennisfightclub.com

**Fitzrovia Trust**
Improvements and new planting to the Whitfield Street nursery playground and gardens.
www.fitzroviatrust.org

**Holcroft Court Residents Association**
Street planting project on Carburton Street.

The application process for the fifth year of the Fitzrovia element of the fund is now complete, and the shortlisted projects will be invited to present at the annual local stakeholder workshop, where local groups will be able to vote for their favourite projects. We look forward to reporting back on the successful projects next year.

Table Tennis Fight Club W1


# ENGAGING AND DEVELOPING OUR EMPLOYEES

**Performance**

234 volunteering hours by staff

-

Created our third youth employment opportunity

-

£65,000 spent on staff training

We believe that a strong and healthy working culture is key to the success of our business and is what helps us generate and maintain long-term stakeholder value. In our staff survey our culture was described by our employees as 'professional', 'progressive' and 'passionate'. These help define what we stand for, how we behave and communicate with our stakeholders.

It is important to us that every employee feels valued, respected and able to develop. We place real emphasis on the importance of career development and progression for our employees and how these can support our succession plans which are fundamental to the future growth and stability of the business. During 2016 we invested £65,000 in staff training, professional qualifications and one-to-one coaching. This included various training sessions including one entitled 'Shaping Futures' which demonstrated to managers how they can help their team take ownership of their own career development within the business's organisational structure. Moreover, a number of employees attended a 'Give Me Strength' training session, aimed at helping them identify their strengths and how to use these skills effectively and regularly within their roles.

In this section we take a look at some of the training we offer our Building Managers via their bi-annual conferences. In addition, there is an interview with Nathan Joseph our latest Assistant Building Manager who is working at our 20 Farringdon Road building.

## Creating employment opportunities

Following on from appointing our first Assistant Building Manager back in 2013 – Maruf Miah at the Angel Building, we worked with the London Borough of Islington Learning Skills and Employment Team to offer another opportunity at our 20 Farringdon Road building.

Nathan Joseph was offered the opportunity and he talks about his work with us so far and what the future holds in an interview with our Head of Sustainability, John Davies.

**So how did you find out about the role at Derwent London?**
I found out about the job opportunity through Islington's young people's employment and apprentice scheme.

**What were you doing before?**
Before working for Derwent London I have had a few jobs. My first was a care assistant which was enjoyable helping others better their lives, however I felt I couldn't do that for the rest of my career and wanted to move into another field of work. I have also been a security officer which was good but I was working nights so it could sometimes be a drag.

My most recent job prior to joining Derwent London was being a motorcycle courier which I did find quite enjoyable – always meeting new people. The only challenge was the weather which could sometimes make riding the bike interesting!

**Are there any similarities between your old jobs and this role?**
Yes. With building management you need to actively find ways of improving things, for example in my old security role I had to review CCTV like I do now to review any incidents that may have occurred. Common across all my previous jobs and this one is working alongside others which requires patience, understanding and a good attitude which I found has helped me in every job.

**What aspects do you enjoy the most about the role?**
I enjoy the fact every day brings new challenges and no day is the same. I have really enjoyed learning about the tenant fit-out process which is something completely new to me and it has allowed me to learn many new things about what is required from a Building Manager in this situation.

At the moment I am enjoying all aspects of this role, there is a lot to learn and slowly I feel I am picking up what goes into being a good Building Manager. Finally I really enjoy working with the team here at 20 Farringdon, everyone is really friendly and has made me feel welcome and has continued to help me settle in.

**Any challenges?**
Yes when I first started I felt a bit overwhelmed to be honest. With the amount of different aspects that go into building management, I felt at times I would not learn everything. However, the team here have always been great to me and anything I am unsure about they are always happy to help. Seven months into working for Derwent London, I have now gained some knowledge and feel that in time I will learn all aspects of building management.

**Is life different for you now?**
Life is very different for me now, as I feel that with Derwent London I am heading in the right direction. I feel this job opportunity is a genuine career with real progression. I feel I now have direction in my life and if I continue to work hard in time it will pay off and I will hopefully move up within Derwent.

**Where would you like to be 5 years from now?**
5 years from now I would be very proud to be managing a building of my own and then looking to progress to bigger buildings and progress within the company.

"Islington's Employment Commission in 2014 heard that while there is no shortage of aspiration among Islington's young people, barriers to social mobility can hold them back and make the odds feel stacked against them. The Commission called upon employers to create change for the next generation, by engaging with local young people and offering high quality entry-level roles with meaningful training. This is exactly what Derwent London have done with the Assistant Building Manager role and we have been impressed by their passion and enthusiasm throughout. We are incredibly pleased for Nathan, a young man with a very bright future."

**Hamish Mackay, Youth Employment and Apprenticeships Manager, Islington Council**

Darshna Dhokia, Apprenticeship Development Officer, Islington Council (left)
Nathan Joseph, Assistant Building Manager (right)

## Building manager training workshops

Good internal communication is a vital part in achieving our overall goals. To ensure we continue to deliver high levels of building management performance across our portfolio, our Building Managers meet twice a year in customised workshops. The primary purpose of the workshops is to provide the latest updates in legislation, share management tips across different disciplines and increase communication and collaboration amongst our Building Managers.

The workshops are held during spring and autumn and include three standard disciplines – Health and Safety, Security and Sustainability with presentations and knowledge sharing delivered by our in-house experts. Moreover, Building Managers are invited to present issues related to their properties, how they have been dealing with them and what they learnt. We also invite guest presenters and speakers and last year the team from the Mind Gym came to share tips, techniques and insights in behaviour and psychology to help get a better understanding on how to improve interaction with tenants and members of the public. Every session is followed with a survey where all participants can provide feedback on the venue, presentations made and topics they wish to cover in the future which help us keep the workshops fresh and engaging.

# HEADS UP

Similar to previous years we set out below our new sustainability performance targets – drawing on feedback from our stakeholders and the progress and learning we have accrued. Moreover, we continue our suite of internal KPIs which we use to measure performance on a day-to-day basis.

## Designing & delivering buildings responsibly

| Aspect | Metric | Target |
|---|---|---|
| **External Targets** | | |
| Climate change | Designing new spaces | Minimum of a 'A' rating for new build. Minimum of a 'B' for all major refurbishments |
| Building assessment methods | Rating achieved | Achieve a minimum of BREEAM Excellent for all new build projects |
| | | Achieve a minimum of BREEAM Very Good for all major refurbishment projects |
| | | Achieve a minimum of LEED Silver for all major new build projects |
| | | Achieve a minimum of Home Quality Mark 4 stars on all new residential development |
| Energy & Carbon | Predicting whole building energy use | All new build and major refurbishment projects to undertake a design energy assessment based on CIBSE TM54 |
| Suppliers | Implementation | Develop a supplier questionnaire to survey compliance and approach to meeting our sustainability supply chain standard |
| **Internal KPI's** | | |
| Project Sustainability Plan | Implementation | All new projects to create and maintain a Project Sustainability Plan |
| Energy & Carbon | Installed metering | All new build and refurbishment projects >5,000$m^2$ 100% of meters to be AMR capable and installed on: all main incoming feeds (electricity/water/gas); landlord lighting and small power; tenants lighting and small power; all major energy using equipment e.g. heating and cooling plant; and renewable & low carbon energy generation sources e.g. PV, CHP plant etc |
| | Embodied carbon assessment | All new build and major refurbishment projects at RIBA Stage 2 to undertake an embodied carbon assessment in line with the Derwent London embodied carbon brief for developments, and contractors to map and monitor the footprint during the delivery phases. |
| Water | Designed usage ($m^3/m^2$) | All new build and refurbishment projects >5,000$m^2$ to be designed to achieve mains water usage of 0.40$m^3/m^2$ or less |
| Waste | % diversion from landfill | Divert 90% of total construction and demolition waste tonnage from landfill |
| Materials | % of certified sustainable timber procured | 100% of timber procured to be from FSC or PEFC sources |
| Biodiversity | Net gain | All new build and major refurbishment projects to achieve a net gain in biodiversity as measured through BREEAM |

## Managing our assets responsibly

| Aspect | Metric | Target |
|---|---|---|
| **External Targets** | | |
| Climate change | % reduction | Achieve a reduction in carbon intensity of 36% by 2022 and 55% by 2027 compared to our 2013 baseline |
| | | Achieve a reduction in energy intensity of 10% by 2022 and 16% by 2027 compared to our 2013 baseline |
| Waste | % recycled | Increase recycling rate to 75% for managed waste in all properties for which Derwent London has management control of waste by the end of 2018 |
| Water | Management | Achieve a 5% reduction in water consumption intensity across our like-for-like managed portfolio by 2019 compared to our 2015 baseline |
| Suppliers | Measurement | Ensure our contracted operational supply chain operatives are receiving the London Living Wage across our managed portfolio by 2017 |
| | Implementation | Develop a supplier questionnaire to survey compliance and approach to meeting our sustainability supply chain standard |
| **Internal KPI's** | | |
| Energy & Carbon | Post Occupancy Evaluation (POE) | Carry out a post occupancy energy performance evaluation on all new build and major refurbishment projects once occupied for more than 12 months |
| Waste | % diversion from landfill | Send zero waste to landfill from properties for which Derwent London has waste management control |
| Water | Management | Maintain portfolio mains water consumption in the like-for-like managed portfolio below 0.43$m^3/m^2$ |
| Customers | Engagement | Produce two editions of the tenant sustainability newsletter during 2016 |
| Building Sustainability Plans | Monitoring | All Building Sustainability Plans are to be monitored and formally reported on a quarterly basis |
| Suppliers | Measurement | Monitor the progress of sustainability KPI's in the building engineering maintenance contracts |



## Creating value in the community

| Aspect | Metric | Target |
|---|---|---|
| **External Targets** | | |
| Community engagement | Community fund delivery | Successfully deliver the next year of the Derwent London Community Fund |
| **Internal KPI's** | | |
| Socio-economic assessment | Assessment | Carry out a socio-economic assessment on all major projects once occupied for more than 12 months to establish net impact/benefit of the development - next building to be assessed is WCF in March 2018 |

## Engaging & developing our employees

| Aspect | Metric | Target |
|---|---|---|
| Employee volunteering | Engagement | Work with the Islington Careers Cluster during 2017 to develop opportunities for staff to work with schools on various initiatives |
| Knowledge | Knowledge dissemination | Deliver at least five technical/knowledge sharing workshops during 2017 |
| Employee development | Engagement | Develop and stage a staff presentation and strategy away day |
| | | Design and rollout our next staff survey including an additional section on well-being |
| | | Deliver at least two bite size training sessions for various levels within the company |
| Skills | Opportunities provided | Provide at least two work experience and/or mentoring placements |




In this section we provide a detailed picture of our sustainability data performance. Our focus remains as always on providing clear and transparent data. Similar to previous years we continue to increase the level of disclosure and breath of data sets.

Justyna Tobolska,
Sustainability Manager

## Performance Summary

Like previous years we have seen reductions in our carbon and energy emissions and water consumption in our like for like and total building portfolios.

This reporting year we have reduced:
- Our total building portfolio and corporate carbon generation (all scopes) by 9%
- Our like-for-like portfolio carbon generation in all scopes by 6%.
- Our carbon intensity ($tCO_2e/m^2$) by 5%
- Our total building portfolio energy use (electricity, gas, oil and biomass) by 6%
- Our total building portfolio water consumption by 6%
- Our like-for-like portfolio water consumption by 2%

Conversely we have seen a rise in energy consumption in our like-for-like portfolio as a result of a change in the constituents of this portfolio and a subsequent increase in the floor areas, together with colder seasonal conditions, which has meant we have increased our energy use by 4% (increased gas consumption).

We have increased our total portfolio recycling rate by 5%, from 68% to 73%, exceeding our waste recycling target of 70%.

**Reporting Boundary**
We measure and report our utility usage from our multi-let properties where we have full operational control on the following basis:

| | Electricity | Water | Gas, oil, and biomass |
|---|---|---|---|
| Includes | Common (landlord) areas and the total building performance including tenant usage. | Total building consumption. | Total building consumption. |
| Excludes | Retail consumption and refurbishment/ development projects. | Retail consumption and refurbishment/development projects. | Retail consumption and refurbishment/development projects. |

We do not report data for our single-let properties as we are unable to influence the operation or management of these properties.

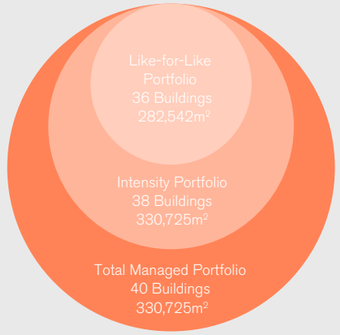
Our public assurance statement from Deloitte LLP is located on page 68-69 and datasets covered by this assurance are marked with an (A) symbol for easy identification.

Properties that exited or entered the portfolio during the year had their respective electricity, gas and water consumption pro-rated (calculated by taking the monthly average from obtained months and multiplied by 12) up to the full year. The only buildings where this proved necessary were 65 Whitfield Street W1; 75 Wells Street W1; Tower House WC2 and 120/134 Tottenham Court Road W1.



**Reporting Period**
Our reporting period is aligned to our financial year, which is set to the calendar year. Therefore, the data provided is from the period 1 January to 31 December 2016.

### Scope
For 2016 our reporting scope consists of the following portfolios:




These portfolios comprise the following:

| | Included | Excluded |
|---|---|---|
| Absolute | Newly acquired properties, disposed properties and launched and/or vacant floor space | Properties under refurbishment and/or development, utilities transferred to a contractor, retail consumption |
| Intensity | Properties in the portfolio at beginning of the year | Vacant properties, properties under refurbishment and/or development, utilities transferred to a contractor, retail consumption |
| Like for Like | Properties within portfolio for both 2015/2016 (two full years) | Vacant properties, properties under refurbishment and/or development, utilities transferred to a contractor, retail consumption |

### Method
Our utility data is collected monthly via smart meters (AMR) in addition to meter readings taken by our Building Management teams. These are then recorded and consolidated by our third party utility broker for each property. The metered data is used as the primary source for our reporting, which is then validated by utility invoices where necessary, with the final metered consumption amounts used as the source for our reporting. To ensure the robust accounting of our data, quarterly internal audits are undertaken by our in-house finance team. During an audit, the team randomly select at least 15% of buildings from the managed portfolio and examine all meter readings and utility invoices to validate the consumption amounts being reported.

As mentioned above, we report electricity usage relating to the common (landlord) areas in our managed properties. To establish these areas we deduct the net lettable floor areas (NLA) from the gross internal areas (GIA) for each property. Where the GIA figure is unknown we then take the gross external areas (GEA) figure from our Fire Insurance valuation and reduce this by 2% in line with standard industry practice. To establish the common area usage we divide total building consumption by the total building area, and then multiply the figure ($kWh/m^2$) by the total common area to obtain the according usage. This approach does result in a minor mis alignment in our total energy and total carbon intensity calculations, because gas, oil and water all use a denominator of floor area based on GIA, whereas electricity uses common areas only. This year we have continued to include figures for common areas (landlord usage only) and total building (including tenant usage) to balance this mis alignment. Our percentage movements are calculated using the figures before roundings.

### Exclusions
In 2015 we provided emissions data for properties which had development based consumption and/or consumption based on undertaking significant development works whilst having existing tenants in occupation. We have reviewed our current approach to calculating emissions this year and have decided not to include the development and retail derived emissions for properties where this kind of activity is being undertaken (but have included the operational based emissions). This applies to the following properties: 1-2 Stephen Street W1; 90 Whitfield Street W1; Middlesex House W1; Tea Building E1; Greencoat House SW1 and 20 Farringdon Road EC1.

# Greenhouse Gas Emissions (GHGs)

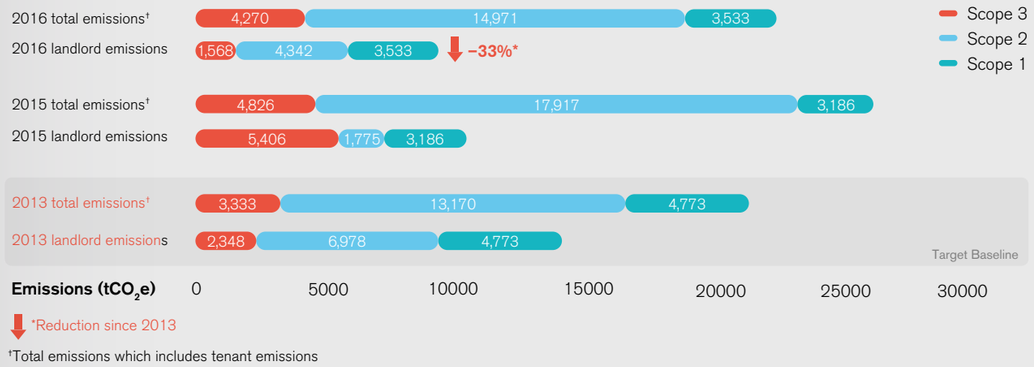
## Table 1 – Total managed portfolio including corporate based emissions ($tCO_2e$)

| | | | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|---|---|
| **Scope 1** | | | | | |
| Energy-use | | Gas (total building) | 2,637 (A) | -2.3% | 2,700 |
| | | Oil (total building) | 37(A) | -23.3% | 48 |
| Travel | | Fuel use in Derwent London company cars for business travel | 23(A) | 104.4% | 11 |
| Fugitive emissions | | Refrigerant emissions | 837(A) | 96% | 427 |
| **Scope 2** | | | | | |
| Energy-use | | Electricity use - generation (landlord-controlled areas and Derwent London occupied floor area) | 4,342(A) | -19.7% | 5,406 |
| | | Market based residual mix | 5,733(A) | -9.9% | 6363* |
| **Scope 3** | | | | | |
| Energy-use | | Electricity use - WTT Generated Scope 3 Indirect GHG (landlord-controlled areas and Derwent London occupied floor area) | 652(A) | -19.1% | 806 |
| | | Electricity use - T&D Direct & WTT T&D In Direct (landlord-controlled areas and Derwent London occupied floor area) | 452(A) | -11.9% | 513 |
| | | Gas (total building) | 358(A) | -1.4% | 363 |
| | | Oil (total building) | 7(A) | -29.8% | 10 |
| Travel | | Fuel use in Derwent London company cars for business travel WTT | 5(A) | 99.3% | 2 |
| | | Business air travel WTT | 4(A) | 61.7% | 3 |
| | | Business air travel | 38(A) | 65.8% | 23 |
| Water | | Water use (total building) | 52(A) | -6.1% | 55 |
| Total (exc residual mix) | All | All | 9,443(A) | -9% | 10,367 |
| Total (inc residual mix | All | All | 10,834(A) | -4% | 11,323 |
| Out of scope | Energy-use | Biomass use (total building) | 28 | -7.2% | 31 |
| Tenant emissions – Scope 1 + 2 + 3 | | | 13,330 | -14.3% | 15,562 |
| Total portfolio emissions (landlord and tenant) – Scope 1 + 2 + 3 | | | 22,774 | -12.2% | 25,929 |

(A) This data has been independently assured by Deloitte LLP
* Not assured by Deloitte LLP as not reported in 2015



## GHG emissions by source – total managed portfolio including corporate based emissions



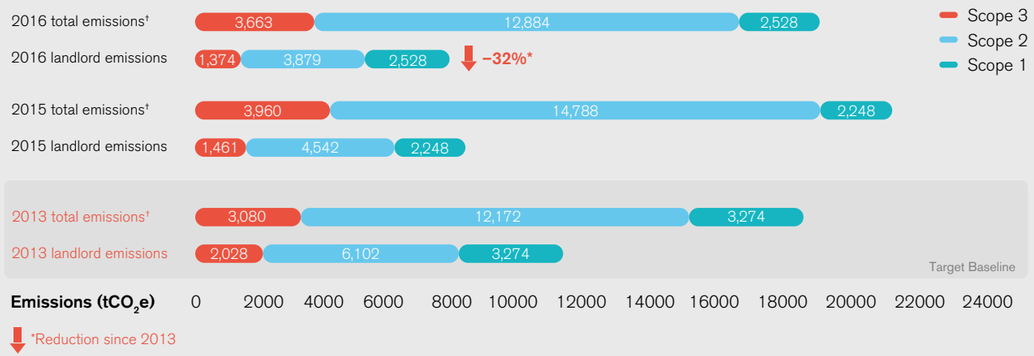

†Total emissions which includes tenant emissions

## Table 2 – Like-for-like managed portfolio (buildings only) ($tCO_2e$)

| | | | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|---|---|
| **Scope 1** | | | | | |
| Energy-use | | Gas (total building) | 2,492(A) | 13.2% | 2,201 |
| | | Oil (total building) | 37(A) | -23.3% | 48 |
| **Scope 2** | | | | | |
| Energy-use | | Electricity use – generation (landlord-controlled areas and Derwent London occupied floor area) | 3,879(A) | -14.6% | 4,542 |
| | | Market based residual mix | 5,121(A) | -4.2% | 5,346* |
| **Scope 3** | | | | | |
| Energy-use | | Electricity use – WTT Generated Scope 3 Indirect GHG (landlord-controlled areas and Derwent London occupied floor area) | 583(A) | -13.9% | 677 |
| | | Electricity use – T&D Direct & WTT T&D In Direct (landlord-controlled areas and Derwent London occupied floor area) | 404(A) | -6.3% | 431 |
| | | Gas (total building) | 338(A) | 14.2% | 296 |
| | | Oil (total building) | 7(A) | -29.8% | 10 |
| Water | | Water use (total building) | 43(A) | -9.4% | 47 |
| Total (exc residual mix) | All | All | 7,781(A) | -6% | 8,251 |
| Total (inc residual mix) | All | All | 9,024(A) | -0.3% | 9,055 |
| Out of scope | Energy-use | Biomass use (total building) | 28 | -7% | 31 |
| Tenant emissions – Scope 1 + 2 + 3 | | | 11,294 | -11.4% | 12,745 |
| Total portfolio emissions (landlord and tenant) – Scope 1 + 2 + 3 | | | 19,075 | -9.1% | 20,996 |

(A) This data has been independently assured by Deloitte LLP
* Not assured by Deloitte LLP as not reported in 2015

## GHG emissions by source – like-for-like managed portfolio (buildings only)




†Total emissions which includes tenant emissions

## Table 3 – Intensity metrics Scope 1 & 2

| Annual report intensity metrics | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|
| $tCO_2e$/£m gross property income (Scopes 1 and 2 only, including Scope 1 fugitive emissions) | 50.49 | -10.7% | 56.53 |
| $tCO_2e/m^2$ (Scopes 1 and 2 only, including Scope 1 fugitive emissions) | 0.024(A) | -5.1% | 0.025 |
| Property portfolio at fair value ($tCO_2$/£m) | 0.63 | 10.1% | 0.58 |

| Carbon Performance (landlord areas) | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Total building GHG emissions (Scope1-3) $tCO_2e$ | 14099 | 10511 | 10367 | 9443 |
| % difference against 2013 (baseline target) | – | -25% | -26 | -33% |
| Like-for-like GHG emissions (Scope1-3) $tCO_2e$ | 11404 | 9221 | 8251 | 7781 |
| % difference against 2013 (baseline target) | – | -19% | -28% | -32% |

## Carbon Notes

Our carbon emissions are calculated with the latest Defra 2016 emission factors (https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting). We report our emissions in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard, emissions are reported under the following categories:

**Scope 1** – direct emissions;
**Scope 2** – indirect emissions; and
**Scope 3** – other indirect emissions.

To identify refrigerant losses we have used equipment service records stating the refrigerant recharge amounts (top-ups). Those figures are included in our intensity and like-for-like calculations.

To ensure that we are as compliant as possible with the Scope 2 'dual reporting' requirements we have included an additional market based emissions figure. Our emissions figure uses the European residual mix factor GB 544 $gCO_2e$/kWh GWP Direct. We recognise that this is not a 'full' market based factor, however none of our utility suppliers have been able to provide a specific factor beyond the Defra factors which is specific to the supplies we receive. We will continually monitor this should that change.

We continue with inclusion of our Scope 3 carbon emissions in our public assurance work in both our managed and like-for-like portfolios; we omitted our carbon emissions from waste as it is immaterial (<5% total carbon footprint).

The turnover figure stated in the 2016 Annual Report and Accounts is £156m; likewise fair market value was stated at £5bn. The emissions from company cars were calculated using data for distance travelled per car. Different carbon conversion factors were applied to each car according to its type e.g. luxury, 4x4 etc and fuel type.

Air travel is calculated using the distance between the start and end destinations, using an online distance calculator (www.mapcrow.info). When the start destination was not stated, London was used as the default. Defra carbon conversion factors for air travel were applied which included the uplift for radiative forcing.



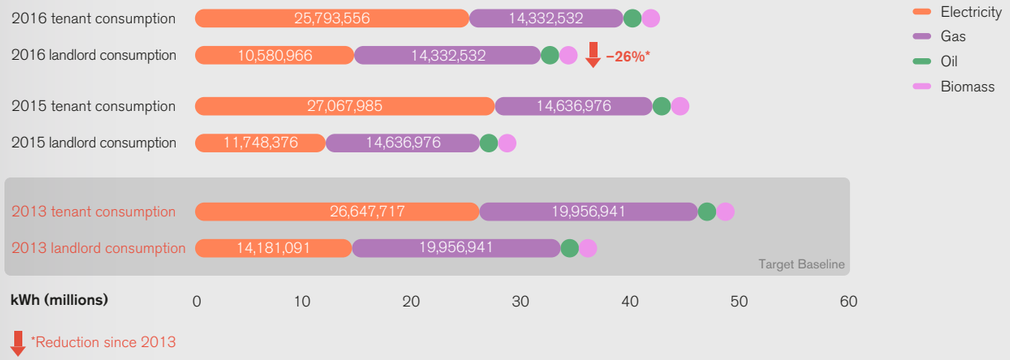
# Energy

## Table 4 – Energy use – total managed portfolio

| | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|
| **Electricity (landlord controlled areas)** | | | |
| Number of buildings | 38 | -11.6% | 43 |
| Use (kWh) | 10,580,966(A) | -9.9% | 11,748,376 |
| Intensity (kWh/$m^2$) | 122.73(A) | -2.4% | 125.82 |
| **Gas (total building)** | | | |
| Number of buildings | 31 | -8.8% | 34 |
| Use (kWh) | 14,332,532(A) | -2.1% | 14,636,976 |
| Intensity (kWh/$m^2$) | 48.68(A) | -1.5% | 49.42 |
| **Oil (total building)** | | | |
| Number of buildings | 1 | 0.0% | 1 |
| Use (kWh) for consumption intensity analysis | 136,620 | -22.4% | 176,000 |
| Intensity (kWh/$m^2$) | 33.32 | -22.4% | 42.92 |
| **Biomass (total building)** | | | |
| Number of buildings | 1 | 0.0% | 1 |
| Use (kWh) | 768,000 | -20.8% | 969,600 |
| Intensity (kWh/$m^2$) | 22.47 | -20.8% | 28.37 |
| **Total** | | | |
| Number of energy utilities | 38 | -11.6% | 43 |
| Use (kWh) | 25,818,119 | -6.2% | 27,530,952 |
| Intensity (kWh/$m^2$) | 78.07 | -5.5% | 82.62 |
| **Energy Consumption** | | | |
| Tenant Consumption Electricity | 25,793,556 | -4.7% | 27,067,985 |
| Total consumption (landlord and tenant) | 51,611,675 | -5.5% | 54,598,937 |

(A) This data has been independently assured by Deloitte LLP

## Energy use – total manged portfolio

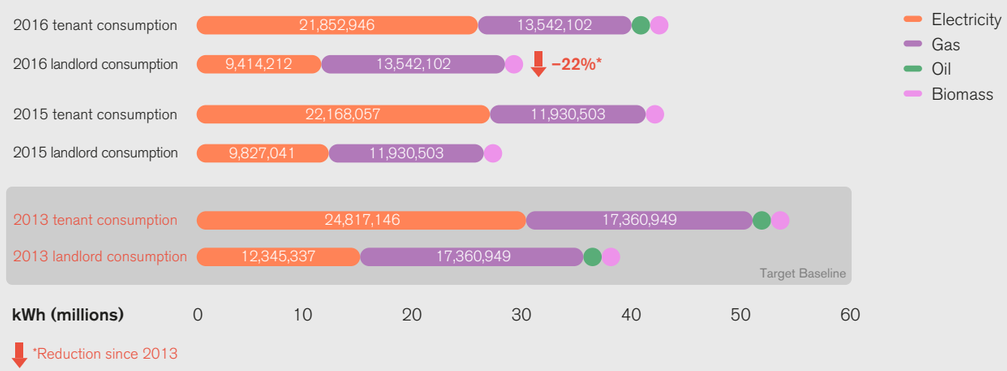


## Table 5 – Energy use – like-for-like portfolio

| | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|
| **Electricity (landlord controlled areas)** | | | |
| Number of buildings | 32 | -8.6% | 35 |
| Use (kWh) | 9,414,212(A) | -4.2% | 9,827,041 |
| Intensity (kWh/m²) | 122.51(A) | -4.3% | 128.06 |
| **Gas (total building)** | | | |
| Number of buildings | 28 | 3.7% | 27 |
| Use (kWh) | 13,542,102(A) | 13.5% | 11,930,503 |
| Intensity (kWh/m²) | 48.50(A) | 9.2% | 44.40 |
| **Oil (total building)** | | | |
| Number of buildings | 1 | 0.0% | 1 |
| Use (kWh) | 136,620 | -22.4% | 176,000 |
| Intensity (kWh/m²) | 33.32 | -22.4% | 42.92 |
| **Biomass (total building)** | | | |
| Number of buildings | 1 | 0.0% | 1 |
| Use (kWh) | 768,000 | -20.8% | 969,600 |
| Intensity (kWh/m²) | 22.47 | -20.8% | 28.37 |
| **Total** | | | |
| Number of buildings | 33 | -5.7% | 35 |
| Use (kWh) | 23,860,934 | 4.2% | 22,903,144 |
| Intensity (kWh/m²) | 84.45 | 6.1% | 79.57 |
| **Energy Consumption** | | | |
| Tenant Consumption Electricity | 21,852,946 | -1.4% | 22,168,057 |
| Total consumption (landlord and tenant) | 45,713,880 | 1.4% | 45,071,201 |

(A) This data has been independently assured by Deloitte LLP

## Energy use – like-for-like portfolio





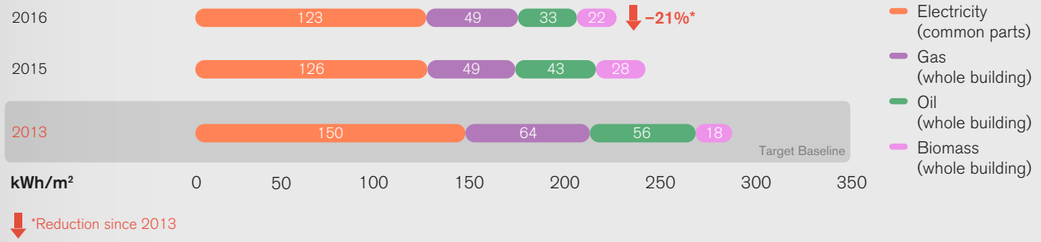

## Energy Performance (landlord areas)

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Total building Energy use (Electricity, Gas, Oil, Biomass) kWh | 34,942,854 | 24,754,571 | 27,530,952 | 25,818,119 |
| % difference against 2013 (baseline target) | – | -29% | -21% | -26% |
| Like-for-like Energy use (Electricity, Gas, Oil, Biomass) kWh | 30,511,108 | 23,664,356 | 22,903,143 | 23,860,934 |
| % difference against 2013 (baseline target) | – | -22% | -25% | -22% |
| Solar PV generation/consumption (kWh) | 63,951 | 59,615 | 50,950 | 42,612 |

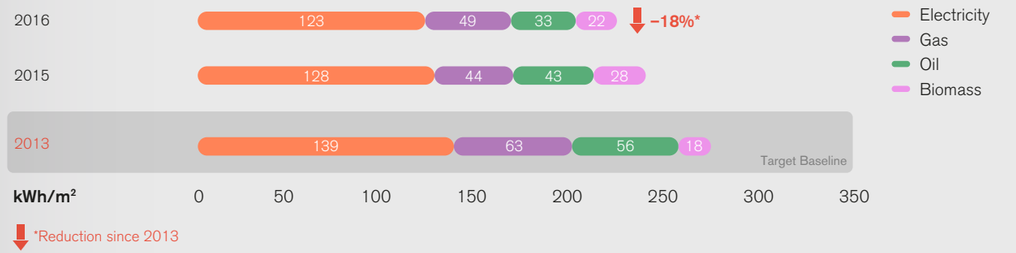
## Table 6 – Energy use – head office buildings

| | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|
| **Electricity (Derwent London occupied areas)** | | | |
| Use (kWh) | 167,528 | -13.6% | 194,008 |
| Intensity (kWh/m²) | 143.97 | -13.6% | 166.72 |
| **Gas (Derwent London occupied areas)** | | | |
| Use (kWh) | 51,242 | -44.0% | 91,513 |
| Intensity (kWh/m²) | 49.41 | -44.0% | 88.24 |
| **Total** | | | |
| Use (kWh) | 218,770 | -23.4% | 285,521 |
| Intensity (kWh/m²) | 188.00 | -23.4% | 245.37 |

## Energy intensity – whole portfolio




## Energy intensity – like-for-like portfolio




## Energy Intensity Performance (landlord areas)

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Total building intensity (Electricity, Gas, Oil, Biomass) kWh | 98.02 | 80.25 | 82.62 | 78.07 |
| % difference against 2013 (baseline target) | – | -18.1% | -15.7% | -20.4% |
| Like-for-like building intensity (Electricity, Gas, Oil, Biomass) kWh | 102.02 | 81.16 | 79.57 | 82.96 |
| % difference against 2013 (baseline target) | – | -20.4% | -22.0% | -18.7% |

Our portfolio energy consumption data consists of the following:

### Electricity

| Head Office Buildings | Photovoltaics (solar panels) properties | Properties where meter readings were used in December 2016 | Properties with pro-rated data |
|---|---|---|---|
| 25 Savile Row W1<br>Goldsmith House W1<br>Basement of 161 Rosebery Avenue EC1 | 1 Oliver's Yard EC1<br>Angel Building EC1<br>90 Whitfield Street W1 | 1 Oliver's Yard EC1 | 65 Whitfield Street W1<br>75 Wells Street W1<br>Tower House W1<br>120/134 Tottenham Court Road W1 |

### Gas

| Head Office Buildings | Properties where meter readings were used in December 2016 | Properties with pro-rated data |
|---|---|---|
| 25 Savile Row W1 | 1-2 Stephen Street W1<br>Network Building W1<br>Middlesex House W1<br>4 and 10 Pentonville Road N1 | 65 Whitfield Street W1 |

### Biomass

Biomass data relates to Angel Building EC1 only. Consumption is reported based on the tonnes of wood pellets purchased and the date of purchase. This is then converted from tonnes to kWh using a conversion factor of 4.8kWh/kg.

## Water

### Table 7 – Water use – total managed portfolio

| | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|
| **Water (total building)** | | | |
| Number of buildings | 30 | -11.8% | 34 |
| Mains water use ($m^3$) | 150,411(A) | -6.1% | 160,216 |
| Rainwater use ($m^3$) | 1.10 | 26.0% | 0.87 |
| **Total ($m^3$)** | 150,413 | -6.1% | 160,217 |
| Intensity ($m^3/m^2$) | 0.47(A) | -5.1% | 0.50 |
| Total ($m^3$) Including retail consumption | 172,682 | -1.1% | 174,534 |
| Intensity ($m^3/m^2$) | 0.54 | 2.5% | 0.53 |

(A) This data has been independently assured by Deloitte LLP (excluding retail water usage)

Including retail usage, water consumption would increase by 15% (22,269 $m^3$) in 2016.

### Table 8 – Water use – like-for-like portfolio

| | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|
| **Water (total building)** | | | |
| Number of buildings | 26 | -7.1% | 28 |
| Mains water use ($m^3$) | 131,299(A) | -1.8% | 133,662 |
| Rainwater use ($m^3$) | 1.10 | 26.0% | 0.87 |
| **Total ($m^3$)** | 131,300 | -1.8% | 133,662 |
| Intensity ($m^3/m^2$) | 0.48(A) | -0.8% | 0.48 |
| Total ($m^3$) Including retail consumption | 153,569 | 3.8% | 147,979 |
| Intensity ($m^3/m^2$) | 0.56 | 4.8% | 0.54 |

(A) This data has been independently assured by Deloitte LLP (excluding retail water usage).

Including retail usage, water consumption would increase by 17% (22,269 $m^3$) in 2016.



### Water consumption performance since 2013

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Total building water consumption $m^3$ | 143,101 | 135,105 | 160,217 | 150,413 |
| % difference against 2013 | – | -6% | 12% | 5% |
| Like-for-like water consumption $m^3$ | 131,595 | 127,112 | 133,662 | 131,300 |
| % difference against 2013 | – | -3% | 2% | -0.2% |

### Notes

Due to no management control over retail and development consumption figures, we have excluded them from our total consumption data.

| Properties without individual retail water supply* | Rainwater harvesting property | Properties where meter readings were used in December 2016 | Properties with pro-rated data |
|---|---|---|---|
| Oliver's Yard EC1<br>Angel Building EC1<br>Tea Building E1<br>1-2 Stephen Street W1<br>20 Farringdon Road EC1<br>Network Building W1<br>25 Savile Row W1 | Angel Building EC1 | Angel Square EC1; 5-8 Hardwick Street EC1; Henry Wood House W1; Morelands; 90 Whitfield Street W1; 4 and 10 Pentonville Road N1; 9 Prescott Street E1; 88 Rosebery Avenue EC1; 151-161 Roseberry Avenue EC1; 25 Savile Row W1; 20 Farringdon Road EC1 | 65 Whitfield Street W1<br>75 Wells Street W1<br>Tower House WC2 |

*Retail consumption was calculated using comprehensive checks and sub-metering.

## Waste

### Table 9 – Waste generated – total managed portfolio

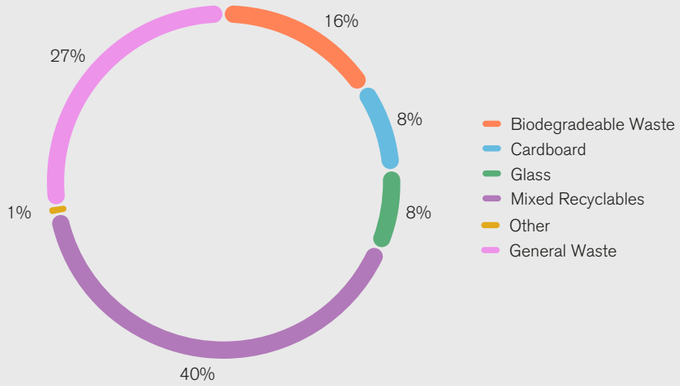
| | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|
| **Total Waste (tonnes)** | | | |
| Incineration (with energy recovery) (tonnes) | 733 | -3.9% | 763 |
| Recycling (tonnes) | 2,006 | 21.6% | 1,650 |
| **Total (tonnes)** | 2,739 | 13.5% | 2,413 |
| Incineration (with energy recovery) (%) | 27% | - | 32% |
| Recycling (%) | 73%(A) | - | 68% |

### Table 10 – Waste generated – like-for-like portfolio

| | 2016 | % change 2015 to 2016 | 2015 |
|---|---|---|---|
| **Total Waste (tonnes)** | | | |
| Incineration (with energy recovery) (tonnes) | 717 | 2.9% | 696 |
| Recycling (tonnes) | 1,798 | 21.3% | 1,482 |
| **Total (tonnes)** | 2,514 | 15.4% | 2,178 |
| Incineration (with energy recovery) (%) | 29% | - | 32% |
| Recycling (%) | 71%(A) | - | 68% |

(A)This data has been independently assured by Deloitte LLP

## 2016 waste streams




### Notes

Recycling and general waste figures are provided by our waste management contractors each month for properties where we have waste management control only. All waste was either recycled or sent to a waste-to-energy plant, with none sent to landfill (A).

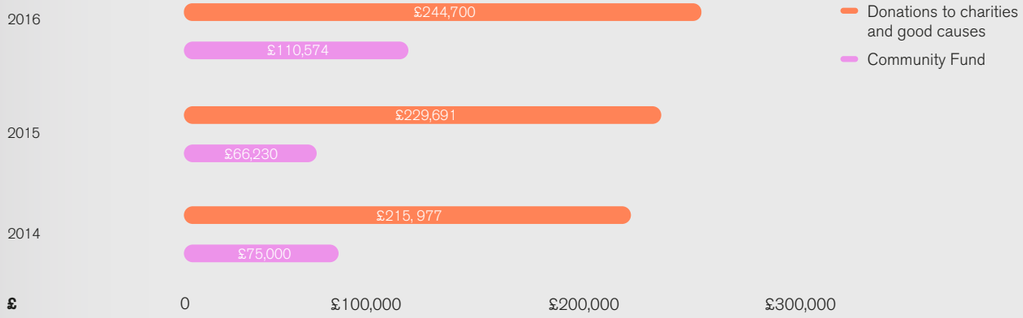
## Table 11 – Building certifications and labelling

| **BREEAM** | **Outstanding** | **Excellent** | **Very Good** |
|---|---|---|---|
| Projects delivered | 3 | 8 | 10 |
| % of the portfolio with the BREEAM Rating | | | 40% |
| *Total number of managed assets | | | 40 |
| *Total assets with BREEAM certificate | | | 21 |
| **LEED Ratings** | **Platinum** | **Gold** | **Silver** |
| Currently on track to meet the respective rating (ratings yet to be confirmed) | 1 | 2 | 0 |
| **Code for Sustainable Homes** | **5 stars** | **4 stars** | **3 stars** |
| Projects delivered | | 2 | |
| **Eco Homes** | | | |
| Residential projects to be delivered in 3 years (targeting an excellent rating) | | | 1 |

| **EPC** (Number of certificates / % total) | **Total B** | **Total C** | **Total D** | **Total E** | **Total F** | **Total G** | **Total** |
|---|---|---|---|---|---|---|---|
| **Whole portfolio** | 34 | 108 | 81 | 40 | 24 | 27 | 314 |
| | 11% | 34% | 26% | 13% | 8% | 9% | |
| **Managed portfolio** | 26 | 54 | 48 | 23 | 5 | 16 | 172 |
| | 15% | 31% | 28% | 13% | 3% | 9% | |
| **Unmanaged portfolio (single-let properties)** | 8 | 54 | 33 | 17 | 19 | 11 | 142 |
| | 6% | 38% | 23% | 12% | 13% | 8% | |



## Table 12 – Community investment




## Table 13 – Health and Safety

| **People (employees)** | **2014** | **2015** | **2016** |
|---|---|---|---|
| Minor accidents | 1 | 2 | 1 |
| RIDDORS | 0 | 0 | 0 |
| Dangerous occurrences | 0 | 0 | 0 |
| Fatalities | 0 | 0 | 0 |
| Improvement notices | 0 | 0 | 0 |
| Prohibition notices | 0 | 0 | 0 |

| **Assets (managed properties)** | **2014** | **2015** | **2016** |
|---|---|---|---|
| Minor accidents | 29 | 41 | 30 |
| RIDDORS | 0 | 1 | 4 |
| Dangerous occurrences | 0 | 0 | 0 |
| Fatalities | 0 | 0 | 0 |
| Improvement notices | 0 | 0 | 0 |
| Prohibition notices | 0 | 0 | 0 |

| **Developments (construction projects)** | **2014** | **2015** | **2016** |
|---|---|---|---|
| Man hours worked | 1,311,514 | 1,057,923 | 2,602,482 |
| Minor accidents | 61 | 29 | 55 |
| RIDDORS | 3 | 4 | 5 |
| Dangerous occurrences | 0 | 0 | 0 |
| Fatalities | 0 | 0 | 0 |
| Improvement notices | 0 | 0 | 0 |
| Prohibition notices | 0 | 0 | 0 |
| RIDDOR[1] frequency rate (contractor accident rate) | 0.23 | 0.37 | 0.19 |

[1]RIDDOR frequency rate is calculated as: (number of accidents x 100,000) / number of person hours worked

Deloitte.

## Independent assurance statement by Deloitte LLP to Derwent London plc on key environmental indicators included within the Sustainability Report 2016 ("the Report")

### What we looked at: scope of our work

Derwent London plc engaged us to perform limited assurance procedures for the year ended 31 December 2016 on the following subject matters:

- Scope 1 and 2 greenhouse gas emissions per square metre across managed portfolio ($tCO_2e/m^2$)
- Scope 1 and 2 greenhouse gas emissions per square metre across like-for-like managed portfolio ($tCO_2e/m^2$)
- Total Scope 1 and 2 greenhouse gas emissions (in $tCO_2e$) across managed portfolio
- Total Scope 1 and 2 greenhouse gas emissions (in $tCO_2e$) across like-for-like managed portfolio
- Scope 2 (market-based) greenhouse gas emissions (in $tCO_2e$) across managed portfolio
- Scope 2 (market-based) greenhouse gas emissions (in $tCO_2e$) across like-for-like managed portfolio
- Scope 3 greenhouse gas emissions (in $tCO_2e$) of the organisation across managed portfolio
- Scope 3 greenhouse gas emissions (in $tCO_2e$) of the organisation across like- for-like portfolio

- Water use per square metre across managed portfolio ($m^3/m^2$)
- Water use per square metre across like-for-like managed portfolio ($m^3/m^2$)
- Water use across managed portfolio
- Water use across like-for-like managed portfolio

- Electricity per square metre across managed portfolio ($kWh/m^2$)
- Electricity per square metre across like-for-like managed portfolio ($kWh/m^2$)
- Electricity use across managed portfolio
- Electricity use across like-for-like managed portfolio

- Gas use per square metre across managed portfolio ($kWh/m^2$)
- Gas use per square metre across like-for-like managed portfolio ($kWh/m^2$)
- Gas use across managed portfolio
- Gas use across like-for-like managed portfolio

- Tonnes of waste to landfill across managed portfolio
- Tonnes of waste to landfill across like-for-like managed portfolio

- Recycling rate (%) across managed portfolio
- Recycling rate (%) across like-for-like managed portfolio

### What we found: our unqualified assurance opinion

Based on the scope of our work and the assurance procedures we performed we conclude that nothing has come to our attention that causes us to believe that the subject matter information is not prepared, in all material respects, in accordance with the applicable criteria.

### What standards we used: basis of our work and level of assurance

We carried out limited assurance in accordance with the International Standards on Assurance Engagements 3000 (Revised) (ISAE 3000 (Revised)). To achieve limited assurance ISAE 3000 requires that we review the processes and systems used to compile the areas on which we provide assurance. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

The evaluation criteria used for our assurance are the definitions as described by Derwent London plc which can be found at http://www.derwentlondon.com/sustainability/performance.

### What we did: our key assurance procedures

Our work was planned to mirror Derwent London plc's own group level compilation processes, tracing how data for each indicator within our assurance scope was collected, collated and validated by corporate head office and included in the Report.

Our work did not include undertaking controls testing of the third party system involved in Derwent London's data collection processes.

To form our conclusions, our procedures comprised:

- Interviewing management at the Company's head office, including the Sustainability team and those with operational responsibility for performance in the areas we are reporting on;
- Interviewing staff at Derwent London's energy and environmental consultants, Briar Associates, with responsibility for collection and assurance of data in the areas we are reporting on;
- Reviewing and evaluating the criteria for measurement and reporting of each indicator as set out in the Basis of Reporting;
- Understanding, analysing and testing on a sample basis the key structures, systems, processes, procedures and controls relating to:
  - Collation, aggregation, validation and reporting of the environmental performance data set out above; and
  - Reviewing the content of the Reports against

### Responsibilities of directors and independent assurance provider

**Derwent London plc's responsibilities**
The Directors are responsible for the preparation of the Report and for the information and statements contained within it. They are responsible for determining the sustainability objectives and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

**Deloitte's responsibilities**
We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants in their role as independent auditors and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality and from any involvement in the preparation of the Report. We have confirmed to Derwent London plc that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity.

Our team consisted of a combination of sustainability and assurance professionals with environmental expertise, including many years' experience in providing sustainability report assurance.

Our responsibility is to independently express a conclusion on the Report as defined within the scope of work above to Derwent London plc in accordance with our letter of engagement. Our work has been undertaken so that we might state to Derwent London plc those matters we are required to state to them in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Derwent London plc for our work, for this statement, or for the conclusions we have formed.

**Deloitte LLP**
London, United Kingdom
10 February 2017

Alex Bexon, Manager (left)
Katherine Lampen, Director (right)

# EPRA REPORTING

Set out below is a comprehensive breakdown of our full alignment with all the EPRA best practice recommendations on sustainability reporting. We have also listed our performance measures data in our Annual Report and Accounts on page 170.

Our reporting response has been broken down into the three key areas:

1. Sustainability performance measures
2. Overarching recommendations
3. Other issues to consider

This allows for quick and easy referencing of each measure and recommendation.

## Sustainability performance measures

**Elec-Abs (total electricity consumption) (annual kWh)[1]**

**10,580,966** – shown in Table 4 – Energy use across our total managed portfolio (landlord/common areas), page 61

**Elec-LfL (like-for-like total electricity consumption) (annual kWh)**

**9,414,212** – shown in Table 5 – Energy use across our like-for-like portfolio (landlord/common areas), page 62

**DH&C-Abs (total district heating and cooling consumption) (annual kWh)**

None of our properties are connected to or benefit from district heating and cooling.

**DH&C-LfL (like-for-like total district heating and cooling consumption (annual kWh)**

None of our properties are connected to or benefit from district heating and cooling.

**Fuels-Abs (total fuel consumption) (annual kWh)**

**15,237,152** – shown in Table 4 – Energy use across our total managed portfolio (landlord/common areas) [a total of gas, oil and biomass consumption], page 61

**Fuels-LfL (like-for-like total fuels consumption) (annual kWh)***

**14,446,722** – shown in Table 5 – Energy use across our total managed portfolio (landlord/common areas) [a total of gas, oil and biomass consumption], page 62

**Energy-Int (building energy intensity) (kWh per $m^2$)**

**78.07** – shown in Table 4 – Energy use across our total managed portfolio (landlord/common areas), page 61

**GHG-Dir-Abs (total direct greenhouse gas emissions) (annual metric tonnes $CO_2e$)**

**3,533** – shown in Table 1 – Total managed portfolio emissions (landlord influenced portfolio emissions) [a total of Scope 1 emissions], page 58

**GHG-Indir-Abs (total indirect greenhouse gas emissions) (annual metric tonnes $CO_2e$)**

**4,342** – shown in Table 1 – Total managed portfolio emissions (landlord influenced portfolio emissions) [Scope 2 energy-use], page 58

**GHG-Dir-LfL (like-for-like direct greenhouse gas emissions) (annual metric tonnes $CO_2e$)**

**2,528** – shown in Table 2 – Like-for-like emissions (landlord influenced portfolio emissions, building related only) [Scope 1 energy-use], page 59

**GHG-Indir-LfL (like-for-like indirect greenhouse gas emissions) (annual metric tonnes $CO_2e$)**

**3,879** – shown in Table 2 – Like-for-like emissions (landlord influenced portfolio emissions, building related only) (Scope 2 energy-use), page 59

**GHG-Int (greenhouse gas intensity from building energy consumption) ($tCO_2e/m^2$/year)[2]**

**0.024** – shown in Table 3 – Intensity (Scopes 1 & 2) per $m^2$/£m turnover/fair market value (reported in $tCO_2e/m^2$), page 60

**Water-Abs (total water consumption) (annual $m^3$)**

**150,413** – shown in Table 7 – Water use across our total managed portfolio (excluding retail consumption), page 64

**Water-LfL (like-for-like total water consumption) (annual $m^3$)**

**131,300** – shown in Table 8 – Water use across our like-for-like portfolio (excluding retail consumption), page 64

**Water-Int (building water intensity) ($m^3/m^2$/year)**

**0.47** – shown in Table 7 – Water use across our total managed portfolio (excluding retail consumption), page 64

[1] This data covers electricity procured by Derwent London only.

[2] Although this EPRA recommendation seeks to report in $kgCO_2e/m^2$, for consistency and ease of use we have reported this in terms of $tCO_2e/m^2$ to align with the rest of our carbon reporting.

**Waste-Abs (total weight of waste by disposal route) (annual metric tonnes and proportion by disposal route)**

**2,739 total weight. 2,006 recycled (73%), 733 incinerated (27%) (with energy recovery), 0 to landfill (0%)** (all non-hazardous) – shown in Table 9 – Waste generated across our total managed portfolio, page 65

**Waste-LfL (like-for-like total weight of waste by disposal route) (annual metric tonnes and proportion by disposal route)**

**2,514 total weight. 1,798 recycled (71%), 717 incinerated (29%) (with energy recovery), 0 to landfill (0%)** (all non-hazardous) – shown in Table 10 – Waste generated across our like-for-like portfolio, page 65

**Cert-Tot (type and number of sustainability certified assets) (total number by certification/rating/labelling scheme)** – shown in Table 11

## Overarching recommendations

**5.1 Organisational boundaries**

This is explained in the Reporting boundary section, see page 56

**5.2 Coverage**

Please see our reporting scope on page 57 for a full breakdown of our various reporting scopes and subsequent coverage.

**5.3 Estimation of landlord-obtained utility consumption**

None of our data presented above is estimated.

Where a property exited or came into the portfolio during the year we pro-rata the data to annualise the consumption as part of our intensity portfolio reporting – to ensure fair representation. We have stated which properties this affects (65 Whitfield Street W1; 75 Wells Street W1; Tower House WC2 and 120/134 Tottenham Court Road W1) and against which utility type. Please see our reporting scope sections on page 57 for our approach to data pro-rating.

**5.4 Third Party Assurance**

We undertake assurance on our resource efficiency data in accordance with ISAE3000. A public assurance statement from our auditors Deloitte LLP can be found on pages 68-69.

**5.5 Boundaries – reporting on landlord and tenant consumption**

We report both landlord and tenant derived consumption for electricity and subsequently carbon, which is clearly shown in each relevant section of our data report. We report gas, biomass, oil (energy) and water consumption on a whole building basis. Please see our reporting boundary section on page 57.

**5.6 Normalisation**

Intensity indicators based on floor area ($m^2$) are provided for energy, water and carbon. Please refer to the respective data report sections for the relevant intensity indicator. We also add a financial intensity indicator of $tCO_2e$/£m turnover and $tCO_2e$/ fair market value to our carbon reporting for additional performance context.

**5.7 Analysis – Segmental analysis (by property type, geography)**

All our reporting portfolios (total managed, like-for-like and intensity) report on the one typology – commercial office space, which is all located in central London. As a result it is not possible to compare location and typology (segmentation) within our portfolio to establish geo-spatial differences across varying property types. Please see the Scope section on page 57 for confirmation of the basis of our reporting.

**5.8 Disclosure on own offices**

Please see Table 6 on page 63 for a breakdown of the energy use at our head office buildings.

**5.9 Narrative on performance**

Please see our performance summary on page 56. Likewise we provide commentary on the shifts in our carbon footprint in our carbon footprint section, see page 18

**5.10 Location of EPRA sustainability performance measures in companies' reports**

We provide a dedicated section in our 2016 Annual Reports and Accounts on sustainability (page 170), which also includes a full summary of our carbon footprint and headline performance and data results. This annual sustainability report then provides a detailed review of our sustainability work, performance and resource efficiency data. Moreover, we have developed this section of the report to enable our stakeholders to access quickly the best practice aspects set out in the EPRA recommendations document.



## Other issues to consider

**6.1 Materiality**

The results of our materiality assessment/review are shown in the 'key priorities and materiality' section of this report on pages 86-87.

**6.2 Emerging indicator – return on carbon emissions (ROCE)**

We report two sets of financially orientated carbon intensity measures - $tCO_2e$/£m turnover and $tCO_2e$/fair market value. These are presented in table 3 on page 60.

**6.3 Socio-economic indicators related to sustainability performance**

We have mandated a performance measure to undertake socio-economic assessments of our new developments 12 months after full occupation.

Moreover, we are the only UK based REIT that operates its own community investment fund – details are provided in the 'Creating value in the community' section of this report, please see pages 38.

Likewise we report on the community contributions via planning – this can be seen on pages 67.

**6.4 Transport**

In 2016 we have introduced a requirement to survey the transport emissions associated with our own employees travelling to work at our head offices. The outcomes from this survey will be included in our carbon footprint going forward.

We do not yet measure and report the emissions associated with tenants travelling to and from our properties.

**6.5 Refrigerant gases**

We report fugitive emissions from our managed air conditioning and chilling equipment as part of our Scope 1 carbon figures. To see our emissions footprint please see table 1 on page 58 for more details.

# GRI CONTENT INDEX

As mentioned earlier in this report we have taken the step to start reporting in alignment with the GRI G4 requirements using the 'Core' option, to allow our stakeholders to gauge even more effectively the robustness of our reporting.

Our index table below reflects the outcomes of our materiality assessment and links together the supporting evidence for each indicator, its location and whether it has been subject to external assurance.

The White Chapel Building E1

## General Standard Disclosures

| GRI indicator | | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|---|
| **Strategy and analysis** | | | | |
| G4-1 | Statement from the most senior decision-maker in the organisation | CEO foreword Page 2<br>ARA – chairman's statement , Pages 12-13 | | n/a |

| GRI indicator | | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|---|
| **Organisational profile** | | | | |
| G4-3 | Report the name of the organisation | Front/back cover<br>ARA – front/back cover | | n/a |
| G4-4 | Report the primary brands, products, and services | ARA – page 1 | | n/a |
| G4-5 | Report the location of the organisation's headquarters | Back cover<br>ARA – back cover | | n/a |
| G4-6 | Report the number of countries where the organisation operates | ARA – page 6 | Our business is focused on central London commercial office space, together with our Strathkelvin retail park (the only property of this type we own) which is located in the suburbs of Glasgow, Scotland. | n/a |
| G4-7 | Report the nature of ownership and legal form | ARA – page 1 | | n/a |
| G4-8 | Report the markets served | ARA – page 6 | | n/a |
| G4-9 | Report the scale of the organisation | ARA – pages 4-6 | | n/a |
| G4-10 | Report total workforce by employment type, employment contract, and region, broken down by gender | ARA – pages 68-71 | | n/a |
| G4-11 | Report the percentage of total employees covered by collective bargaining agreements | | There are no collective bargaining agreements within our business; however employees are free to join a trade union should they wish so. | n/a |
| G4-12 | Describe the organisations supply chain | ARA – pages 66 | | n/a |
| G4-13 | Report any significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain | CEO foreword Page 2<br>ARA – chairman's statement , pages 12-13 | There are no significant changes to report. | n/a |
| G4-14 | Report whether and how the precautionary approach or principle is addressed by the organisation | WEB – sustainability strategy, page 6<br>www.derwentlondon.com/uploads/downloads/Derwent_London_Sustainability_Strategy_2016.pdf<br>ARA – pages 60-65 | | n/a |
| G4-15 | List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses | Page 8<br>ARA – pages 67-68 | | n/a |
| G4-16 | List memberships of associations (such as industry associations) | Page 8<br>ARA – pages 67 | | n/a |

| GRI indicator | | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|---|
| **Identified material aspects and boundaries** | | | | |
| G4-17 | List of entities included in the organisation's consolidated financial statements or equivalent documents | ARA – pages 158-159 | | n/a |
| G4-18 | Process for defining report content | Page 86-87 | | n/a |
| G4-19 | List of material Aspects identified in the process for defining report content | Page 86-87 | | n/a |
| G4-20 | Aspect Boundary within the organisation for each material Aspect | See Specific Standards Disclosure table below – pages 78-85 | Aspect boundaries are included with each material issue and their according DMA | n/a |
| G4-21 | Aspect Boundary outside the organisation for each material Aspect | See Specific Standards Disclosure table below – pages 78-85 | Aspect boundaries are included with each material issue and their according DMA | n/a |
| G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements | Health & Safety Data- page 67 | Number of man hours worked in 2015 was restated due to receiving more accurate figures from our contractors (from 973,811 to 1,057,923) | n/a |
| G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries | | None to report | n/a |

| GRI indicator | | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|---|
| **Stakeholder engagement** | | | | |
| G4-24 | Provide a list of stakeholder groups engaged by the organisation | Page 86-87<br><br>WEB – sustainability strategy, page 5<br><br>www.derwentlondon.com/uploads/downloads/Derwent_London_Sustainability_Strategy_2016.pdf | Our key stakeholder group are: investors, employees, customers, suppliers and communities | n/a |
| G4-25 | Report the basis for identification and selection of stakeholders with whom to engage | Page 11 | | n/a |
| G4-26 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | ARA – page 83<br><br>WEB – community fund<br><br>www.derwentlondon.com/sustainability/priorities/community/community-fund<br><br>www.derwentlondon.com/uploads/downloads/Derwent_London_Supply_Chain_Standards_-2016.pdf | Our stakeholder engagement is multi-channel depending on the audience.<br><br>Investors - every year we undertake investor roadshows in both Europe and the US to engage our shareholders and listen to their feedback<br>.<br>Employees – during 2015 we undertook our first company-wide employee survey.<br><br>Customers – we regularly meet with our tenants to discuss their needs and future plans, likewise how we can improve our services.<br><br>Communities – as part of our community fund we hold community workshops every year to garner feedback and opinion on the fund applications to help us decide how funds are to be distributed. Likewise we receive direct feedback on our business.<br><br>Suppliers –We have launched our Supply Chain Sustainability Standard to clearly set out our principles and expectations in terms of the environmental, social and ethical issues which relate to our supply chains. | n/a |
| G4-27 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting | Page 87 | Via our latest materiality assessment we were able to ascertain those core issues pertinent to our business. | n/a |

| GRI indicator | | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|---|
| **Reporting profile** | | | | |
| G4-28 | Reporting period | Page 8 | | n/a |
| G4-29 | Date of most recent previous report | | 2015 Annual sustainability report – published April 2015<br><br>2015 Annual report and accounts – published April 2015 | n/a |
| G4-30 | Reporting cycle | Front cover<br>Page 8 | Annual, in line with our annual report and accounts | n/a |
| G4-31 | Provide the contact point for questions regarding the report or its contents | Page 5<br><br>WEB – sustainability, contact<br><br>www.derwentlondon.com/sustainability/contact | John Davies, Head of Sustainability.<br>+44 (020) 7659 3000<br>sustainability@derwentlondon.com | n/a |
| G4-32 | GRI content index location | Page 74 | | n/a |
| G4-33 | Policy and current practice with regard to seeking external assurance for the report | Page 8 | Deloitte LLP has assured 24 data points within this report, their assurance statement can be found on pages 56-57 of this report. | n/a |

| GRI indicator | | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|---|
| **Governance** | | | | |
| G4-34 | Governance structure of the organisation, including committees of the highest governance body responsible for decision-making on economic, environmental and social impacts | ARA – committees structure, page 60-61<br><br>WEB – sustainability governance, www.derwentlondon.com/sustainability/approach/governance | | n/a |

| GRI indicator | | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|---|
| **Ethics and integrity** | | | | |
| G4-56 | Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics | ARA – our people, page 68-71 | | n/a |

# Specific Standards Disclosure

Material issue/aspect

## Resource efficiency

### Aspect: Energy

**DMA**

Why is it material?

Energy consumption and therein efficiency is fundamental to organisations like ours, with energy consumption from the built environment accounting for nearly half the UK's $CO_2$ emissions. As such our stakeholders expect us to take a proactive stance to minimise our consumption, reduce costs and ensure our buildings are operating efficiently.

What we do

We have put into place a series of management tools and interventions across our development pipeline and managed portfolio as part of our energy management programme. This has seen us significantly reduce our like-for-like energy consumption, underpinned by performance reduction targets.

**Aspect boundaries**

**Internal (within):**
Sustainability Team
Property Management Teams
Development Team

**External (outside):**
UK Government and policy makers
Our tenants (customers)
Our design and engineering maintenance supply chains

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-EN3 Energy consumption within the organisation | Page 61 | | Yes |
| G4-EN5 Energy intensity | Page 61 | | Yes |
| G4-EN6 Reduction of energy consumption | Pages 62-63 | | Yes |

### Aspect: Greenhouse gas emissions

**DMA**

Why is it material?

Like energy efficiency, GHG emissions are a significant issue for the built environment and property companies like us, not least of all the regulatory requirements placed on listed companies like ours from mechanisms such as CRC and ESOS. Therefore our stakeholders place a similar if not near identical level of significance on this issue.

What we do

Our energy management work and carbon management (GHG emissions reduction) work go hand-in-hand, and our energy management programme addresses both issues simultaneously and has seen us significantly reduce our like-for-like footprint.

**Aspect boundaries**

**Internal (within):**
Sustainability Team
Property Management Teams
Development Team

**External (outside):**
UK Government and policy makers
Our tenants (customers)
Our design and engineering/FM maintenance supply chains

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1) | Page 58 | | Yes |
| G4-EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2) | Page 58 | | Yes |
| G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3) | Page 58 | | Yes |



### Aspect: Water

**DMA**

Why is it material?

Water scarcity is becoming an increasingly important issue in many parts of the UK with areas such as London coming under increased stress. As a result it is vital we work with our tenants and suppliers to reduce consumption and wastage.

What we do

Water management forms a key part of our building sustainability plans and we have an active management programme in place. New for 2016 is the introduction of a water intensity reduction target to help focus our efforts even more.

**Aspect boundaries**

**Internal (within):**
Sustainability Team
Property Management Teams
Development Team

**External (outside):**
UK Government and policy makers
Our tenants (customers)
Our design and engineering/FM maintenance supply chains

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-EN8 Total water withdrawal by source | Page 64 | | Yes |

### Aspect: Waste management

**DMA**

Why is it material?

Waste is important from both an operational perspective i.e. the day-to-day running of buildings and also a construction perspective. Both generate significant amounts of waste.

What we do

We have a long standing requirement to ensure we send zero waste to landfill from our managed properties. Likewise we have set a stretching recycling target aiming to achieve a 75% recycling rate by 2017 – we currently operate at 73%. Moreover, we have a 90% diversion from landfill minimum target for our construction projects – we are currently achieving a 98% diversion rate.

**Aspect boundaries**

**Internal (within):**
Sustainability Team
Property Management Teams
Development Team

**External (outside):**
UK Government and policy makers
Our tenants (customers)
Our waste management and construction supply chains

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-EN23 Total weight of waste by type and disposal method | Page 65 | | Yes |

Material issue/aspect

## Community

### Aspect: Investment and engagment

**DMA**

Why is it material?

Looking beyond the bricks and mortar of our buildings we are committed to supporting the community in which we operate. It is important that we understand and address the impacts our business has on our community stakeholders such that we can enable positive value creation and ensure our stakeholders can benefit from our activities.

What we do

In addition to public consultation events for potential development proposals we also operate a unique community fund which has invested over £245,000 since 2013 in various local projects and initiatives – with a further £300,000 to be invested over the next three years. Moreover, we also actively monitor the impact of our new developments by undertaking socio-economic assessments 12 months after full occupation.

### Aspect boundaries

**Internal (within):**
Sustainability/Community Team
Development Team

**External (outside):**
Local community stakeholders
Our tenants (customers)
Our investors

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| Custom indicator<br><br>Percentage of projects with local community engagement initiatives above and beyond those required during planning as stipulated by local authority regulations | Page 38<br><br>WEB – Community and Community Fund<br><br>www.derwentlondon.com/sustainability/priorities/community/community-fund | We go beyond the statutory local authority requirements for community consultation during the planning phase of a major development. Our community work involves not only our community fund which we manage in-house and engage directly with community stakeholders to distribute funds and garner feedback but we also measure the socio-economic impacts of our new developments to ascertain their success in the community and how we can learn lessons for our future projects.<br><br>Performance against these is tracked by our Sustainability Team who manage our community work and socio-economic assessments.<br><br>We have created this custom indicator to allow us to demonstrate more effectively the breadth of our community work. | |

Material issue

## Health and safety

### DMA

Why is it material?

Ensuring we have a clear and robust approach to health and safety is of utmost importance to us, not least of all for the inherent risks associated with the delivery and management of built assets. Thus it remains a significant issue for us to manage effectively.

What we do

We have a very thorough approach to managing our health and safety responsibilities and communicating our expectations to our supply chains. We utilise the latest safety management and monitoring systems from Ark Workplace Risk Ltd, and have a dedicated in-house health and safety team that ensures both our operations and those of our supply chains are fit for purpose and robust.

### Aspect boundaries

**Internal (within):**
Health and Safety Team
Property Management Teams
Development Team

**External (outside):**
Our tenants (customers)
Our design, engineering/FM maintenance and construction supply chains
Local community stakeholders

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-LA6<br><br>Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | Page 67 | | No |



Material issue/aspect

## Employees

### Aspect: Engagement

### DMA

Why is it material?

In addition to the various regulatory instruments e.g. Companies Act 2006, the development and engagement of our employees is a key part of our culture as it enables us to attract and retain a diverse range of the most talented people in the property industry. This in turn helps to ensure the long term growth and success of our business, so remains a significant aspect for us.

What we do

We ensure our employees are supported to develop and grow within their roles and respective disciplines. We have an annual review process in place with tailored personal development and training identified as part of the process. Moreover we have a comprehensive reward and recognition structure which ensures employees are recognised for their efforts.

### Aspect boundaries

**Internal (within):**
HR Team
Executive Committee

**External (outside):**
Local community stakeholders
Our tenants (customers)
Our investors

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-LA2<br><br>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | ARA – page 71 | | No |

### Aspect: Development

| | | | |
|---|---|---|---|
| G4-LA11<br><br>Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | ARA - page 70 | 100% of our employees receive regular performance reviews. | No |

### Aspect: Diversity

| | | | |
|---|---|---|---|
| G4-LA12<br><br>Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | ARA – page 70 | | No |

Material issue

## Business conduct

### DMA

Why is it material?

Compliance with legislation and our own internal safeguarding procedures is a basic must-do requirement for our employees. Failure to do this could result in financial risks and reputational damage, and so affect our commercial performance. Therefore is seen as a significant issue.

What we do

To ensure we meet the highest standards of regulatory compliance we set clear standards for our own employees and our supply chains via legal, policy and voluntary standards and tools – covering issues such as anti-corruption, ethical standards and health and safety practices.

### Aspect boundaries

**Internal (within):**
Company Secretarial Team
The Main Board
Executive Committee

**External (outside):**
UK Government
Our tenants (customers)
Our investors

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-SO4 | ARA – page 69-70 | | No |
| Communication and training on anti-corruption policies and procedures | WEB- page 2 www.derwentlondon.com/uploads/downloads/Derwent_London_Supply_Chain_Standards_-2016.pdf | | |

Material issue

## Customer engagement

### DMA

Why is it material?

Our business is underpinned by our close relationships with our tenants (customers). Only by understanding their needs, being flexible and providing the kind of spaces they wish to occupy can our business continue to thrive.

What we do

The relationship we have with our tenants is one of the key factors for the strong demand for our space and resultant low void rates. Frequent communication is key to ensure we meet all their expectations and understand their current and future needs.

### Aspect boundaries

**Internal (within):**
Leasing Team
Property Management Teams

**External (outside):**
Our tenants (customers)
Our investors

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-PR5<br><br>Results of surveys measuring customer satisfaction | WEB – 2013 Sustainability Annual Report, page 24<br><br>www.derwentlondon.com/sustainability/performance/reports | We undertake regular customer satisfaction surveys and record them internally. | No |



Material issue

## Materials

### DMA

Why is it material?

Natural resources are finite and the construction of new buildings and spaces is a resource intense activity. Therefore it is essential we are prudent with their use, which is not only environmentally sound but also cost efficient.

What we do

Our business model favours the re-use and regeneration of buildings which is inherently resource, likewise our design approach advocates a lean approach to specification. Where we do introduce new materials and systems we ensure through our project sustainability plans that recycled content and embodied carbon is measured, reduced and monitored. Likewise where we are specifying materials they are responsibly sourced e.g. timber.

### Aspect boundaries

**Internal (within):**
Sustainability Team
Development Team
Property Management Teams

**External (outside):**
Our design and construction supply chains
Our tenants (customers)
Our investors

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-PR3<br><br>Type of product and service information required by the organisation's procedures | Page 16 | We actively target the procurement of responsibly sourced timber, stipulating our timber must come from either FSC or PEFC sources. Our latest progress against this target is published in this report in our summary of our performance against our targets on page 16. | No |

Material issue

## Supplier engagement

### DMA

Why is it material?

We are a relatively small organisation which operates an outsourced business model for the design, delivery and maintenance of our buildings and spaces. As a result we work very closely with our supply chains to ensure we achieve the standards we expect e.g. meeting the Living Wage Standard or procuring materials responsibly. If we did not do this it would impact on our ability to deliver the kinds of spaces our tenants expect from us and therefore our reputation and returns to investors.

What we do

Our close relationship with our various supply chains enables us to deliver market leading spaces. To ensure we communicate effectively our standards and aspirations be they environmental, ethical or financial we use a range of tools such as contract clauses, briefings and sustainability plans to ensure we are clear on our expectations with our supply chains.

### Aspect boundaries

**Internal (within):**
Sustainability Team
Development Team
Property Management Teams

**External (outside):**
Our design and construction supply chains
Our tenants (customers)
Our investors

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| Custom Indicator<br><br>Total number and percentage of engineering maintenance contractor contracts that include clauses regarding the monitoring and progress of sustainability KPIs | Page 52 | We believe it is more important to realise actual supplier performance than to simply screen suppliers' compliance against a given parameter during the tendering process e.g. having an environmental policy in place. We have set ourselves a target to create and implement a series of sustainability KPIs for our engineering maintenance contracts. These KPIs focus on requiring our service providers to track utility performance and efficiency and identify new and innovative practice to help run our properties as efficiently as possible.<br><br>Performance against these is tracked by our in-house FM Team who review our contractors' performance on a six monthly basis.<br><br>By creating this custom indicator it allows us to demonstrate more effectively how we manage and incentivise our engineering maintenance contractors from a sustainability perspective. | No<br>Not in 2016 targets |

Material issue

## Human rights

### DMA

Why is it material?

Human rights is a fundamental issue for any business, and whilst there is legislation in place to tackle some of these issues e.g. The Modern Slavery Act 2015 and the Companies Act 2006; and like our stakeholders we want to ensure we are not having any negative impacts on the human rights of our employees, customers or our supply chains.

What we do

We closely monitor our activities and those of our supply chains to ensure our activities are not impacting on human rights and are not discriminatory. In 2016 we have launched a new series of supply chain standards which will make our human rights position even clearer.

### Aspect boundaries

**Internal (within):**
Company Secretarial Team
The Sustainability Team
Executive Committee

**External (outside):**
UK Government and policy makers
Our design, engineering/FM maintenance and construction supply chains
Our investors

| GRI indicator | Location | Comments | External assurance (yes, no or n/a) |
|---|---|---|---|
| G4-HR3<br><br>Total number of incidents of discrimination and corrective actions taken | ARA-page 69 | There are no incidents to report | No |



**Note on aspect boundaries**

It is easy to see that all of our material issues have both internal and external impacts; however we have attempted to provide clarity, context and identify which entities and/or stakeholders these might impact on or be relevant to. As such we have provided a list of the key internal and external stakeholders and entities for each issue which is by no means exhaustive. For our internal stakeholders we have indicated the teams or departments which have a direct responsibility to deal with or manage the impact of the issue(s). We believe this is relevant and appropriate given the relatively small size and geographically focused nature of our business.

In terms of where the impacts from these issues occur, our business operations (including our subsidiaries) are entirely focused in the UK, more specifically central London (save for our third party managed shopping centre in Strathkelvin, Scotland). However, we recognise that we do have impacts beyond the UK in our supply chains; in particular our construction supply chains which have an international reach e.g. sourcing products and systems globally such as façade systems to construct our buildings.

**Abbreviations**

ARA – Annual Report and Accounts
DMA – Disclosure on Management Approach
WEB – Derwent London website (www.derwentlondon.com)

# MATERIALITY

During our materiality review in 2016 we revisited our materiality matrix to examine whether the issues identified were still relevant to our business and those of our stakeholders. We used the same three step process as before – **identification**, **prioritisation**, and **validation**. This revealed that the nine headline issues identified were still relevant and ranked the same, likewise their position against our four strategic priorities remained the same. The material issues are:

**Resource efficiency** (including energy efficiency, greenhouse gases, water and waste management);
**Health and safety**;
**Community** (including investment and engagement);
**Employees** (including development, engagement and diversity);
**Business conduct** (including regulatory actions);
**Materials** (including timber use, steel, concrete etc);
**Customer engagement**;
**Supplier engagement**; and
**Human rights**.

## OUR MATERIALITY MATRIX

| DESIGNING AND DELIVERING BUILDINGS RESPONSIBLY | MANAGING OUR ASSETS RESPONSIBLY | CREATING VALUE IN THE COMMUNITY | ENGAGING AND DEVELOPING OUR EMPLOYEES |
|---|---|---|---|
| RESOURCE EFFICIENCY | | | |
| HEALTH AND SAFETY | | | |
| | | COMMUNITY | |
| | | | EMPLOYEES |
| BUSINESS CONDUCT | | | |
| MATERIALS | | | |
| CUSTOMER ENGAGEMENT | | | |
| SUPPLIER ENGAGEMENT | | | |
| HUMAN RIGHTS | | | |


**Automatic Meter Reading (AMR)**
AMR is the technology of automatically collecting consumption, diagnostic, and status data from water or energy metering devices and transferring that data to a central database for billing, troubleshooting, or analysis purposes.

**Building Research Establishment Environmental Assessment Method (BREEAM)**
BREEAM is an environmental impact assessment method for non-domestic buildings. Performance is measured across a series of ratings – Pass, Good, Very Good, Excellent and Outstanding.

**Carbon Reduction Commitment Energy Efficiency Scheme (CRC)**
This is the UK Government's mandatory scheme for carbon emissions reporting and allowance purchasing.

**CDP**
CDP is an organisation which works with shareholders and listed companies to facilitate the disclosure and reporting of climate change data and information.

**CIBSE TM54**
CIBSE Technical Memorandum 54 (TM54) provides building designers and owners with clear guidance on how to evaluate operational energy use fully, and accurately, at the design stage. It sets out how the operational energy required for the building can be estimated - covering both regulated and unregulated loads.

**COP21**
COP21 or the 21st Conference of the Parties of the UNFCCC (United Nations Framework Convention on Climate Change) established a legally binding commitment by 195 countries to curb global greenhouse gas emissions, and keep global warming well below 2OC by 2050.

**Home Quality Mark (HQM)**
HQM is an assessment standard for new homes. Performance is measured across a series of star ratings 1-5.

**Energy Performance Certificate (EPC)**
An EPC is an asset rating detailing how energy efficient a building is, rated by carbon dioxide emission on a scale of A-G, where an A rating is the most energy efficient. They are legally required for any building that is to be put on the market for sale or rent.

**European Public Real Estate Association (EPRA)**
EPRA is an association of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance.

**EP&T**
EP&T is a global energy management and analytics firm that provides remote utilities monitoring and trending services for buildings.

**FTSE4Good**
The FTSE4Good is an index that has been developed to measure objectively the performance of companies that meet globally recognised corporate responsibility standards, such that organisations can make effective decisions when assessing or creating responsible investment products.

**Fugitive emissions**
Fugitive emissions are emissions of gases or vapours from pressurised equipment e.g. air conditioning units due to leaks and other unintended releases/losses.

**Global Real Estate Sustainability Benchmark (GRESB)**
The Global Real Estate Sustainability Benchmark is an initiative set up to assess the environmental and social performance of public and private real estate investments and allow investors to understand their performance.

**Global Reporting Initiative (GRI)**
The Global Reporting Initiative is an internationally recognised sustainability reporting framework which provides metrics and methods for measuring and reporting sustainability related impacts and performance.

**Global 100 most sustainable companies**
The Global 100 Index is a ranking of the world's most sustainable corporations. The list is compiled by Toronto-based media and investment advisory firm, Corporate Knights. Each year, the latest iteration of the index is announced at the World Economic Forum in Davos, Switzerland.

**Greenhouse Gas (GHG) Protocol Corporate Accounting standard**
This internationally recognised standard sets out methodologies for businesses to collate, calculate and report all of the GHG emissions they produce.

**Leadership in Energy and Environmental Design (LEED)**
LEED is a US based environmental impact assessment method for buildings. Performance is measured across a series of ratings – Certified, Silver, Gold and Platinum.

**UK Green Building Council (UKGBC)**
The UK Green Building Council is a membership based organisation working with its members, Government and policy makers to develop and promote sustainability best practice in the built environment.

**Radiative Forcing**
Radiative forcing is the change in the energy balance in the lower atmosphere by a climate change mechanism. In this case, the change mechanism we reference in this report is aircraft emissions. Aircraft emissions contribute to this energy change in a number of ways e.g. they release substances that trigger the generation of aerosol particles or lead to changes in natural clouds e.g. contrails.

**Reporting of Injuries, Disease & Dangerous Occurrences Regulations, 2013 (RIDDOR)**
RIDDOR requires employers and those in control of premises by law to report specified workplace incidents, such as work-related fatalities, major injuries, seven day injuries (those causing more than seven days inability to carry out normal duties), work related diseases, and dangerous occurrences (near miss accidents).

**Renewable Energy Guarantees of Origin (REGO)**
The REGO scheme administered by Ofgem provides transparency to consumers about the proportion of electricity that supplier's source/ provide from renewable generation.

**Science Based Target initiative (SBTi)**
The SBTi has been set up by CDP, The UN Global Compact, the World Resources Institute and WWF to ensure that GHG reduction targets are consistent with the pace recommended by climate scientists to limit the worst impacts of climate change.

**SKA**
SKA is a sustainability rating method developed specifically for fit-out projects. It sets out a range of good practice criteria and measures. Performance is measured across a series of ratings – Bronze, Silver and Gold.

**Transmission and distribution (T&D)**
Transmission and Distribution (T&D) is the term used to describe the emissions associated with the transmission and distribution losses in the grid from the transportation of electricity from its generation source.

**Well-to-tank (WTT)**
Well to tank (WTT) is the term used to describe the emissions associated with extracting, refining, and transporting raw fuel to the vehicle, asset or process under scrutiny.

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