

Sustainability Report 2017

# Making our experience count



# Sustainability performance at a glance

Our commitments and progress to date

## Progress

- Complete
- On track
- Incomplete

## Commitments

- ⌚ Existing commitment (retained)
- ⌚ Existing commitment (extended)
- ⊕ New commitment

## Creating jobs and opportunities



### Community employment

#### Commitment ⌚

Help a total of 1,200 disadvantaged people secure jobs by 2020

#### Progress



Employment secured for 962 people from disadvantaged backgrounds



### Fairness

#### Commitment ⌚

Ensure the working environments we control are fair and ensure that everyone who is working on our behalf – within an environment we control – is paid at least the Living Wage by 2020

#### Progress



Accreditation received from the Living Wage Foundation



### Diversity

#### Commitment ⌚

Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix

#### Progress



Participant in the National Equality Standard assessment process. Set specific diversity metrics to be achieved by 2020



### Health, safety and security

#### Commitment ⌚

Maintain an exceptional standard of health, safety and security in all the working environments we control

#### Progress



Chaired the Health in Construction Leadership Group and launched Mates in Mind mental health programme

## Efficient use of natural resources



### Carbon

#### Commitment ⌚

Reduce carbon intensity (kgCO<sub>2</sub>/m<sup>2</sup>) by 40% by 2030 compared to a 2013/14 baseline, for properties under our management for at least two years, with a longer-term ambition of an 80% reduction by 2050

#### Progress



Reduced portfolio carbon intensity by 18.5% compared to 2013/14 baseline



### Renewable energy

#### Commitment ⊖

Continue to procure 100% renewable electricity across our portfolio and achieve 3 MW of on-site renewable electricity capacity by 2030

#### Progress



Since 1 April 2016, our Group electricity contract is 100% renewable. 15% of gas now procured from green sources. 0.6 MW of on-site renewable electricity capacity



### Energy

#### Commitment ⌚

Reduce energy intensity (kWh/m<sup>2</sup>) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years

#### Progress



Reduced portfolio energy intensity by 13.2% compared to 2013/14 baseline



### Waste

#### Commitment ⌚

Send zero waste to landfill with at least 75% recycled across all our operational and construction activities by 2020

#### Progress



Diverting 99.9% from landfill and recycling 70.8%

## Sustainable design and innovation



### Resilience

#### Commitment ⊕

Assess and mitigate site-specific climate change adaptation risks that are material across our portfolio

#### Progress



New commitment



### Embodied carbon

#### Commitment ⌚

Carry out embodied carbon analysis to inform the selection and procurement of building materials to reduce environmental impacts

#### Progress



Embodied carbon assessments progressing on all major new developments. Westgate Oxford exceeded its ultra-low carbon target



### Biodiversity

#### Commitment ⊖

Maximise the biodiversity potential of all our development and operational sites. Achieve a 25% biodiversity net gain across the five sites offering the greatest potential by 2030

#### Progress



Developed a methodology with The Wildlife Trusts to measure biodiversity on all sites. Developing net gain plans at several sites



### Wellbeing

#### Commitment ⌚

Ensure our buildings are designed and managed to maximise wellbeing and productivity

#### Progress



Staff response to our new head office at 80-100 Victoria Street, SW1 puts us in the top 5% of 1,900 organisations surveyed worldwide by the Leesman Index for workplace wellbeing and productivity

# Our purpose is to provide the right space for our customers and communities – helping businesses to succeed, the economy to grow and people to thrive.

To ensure we can do this for years to come, our sustainability work focuses on three key areas:

- Creating jobs and opportunities
- Efficient use of natural resources
- Sustainable design and innovation

We act early to address our biggest challenges and opportunities. We work hard to embed sustainability in everything we do. And we keep looking for new ways to make a bigger positive impact – using our experience to create great experiences and benefits for others.

From our innovative scaffolding academy at HMP Brixton to our pioneering use of green gas and our leadership on science based targets – read about the progress we made this year.

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# Chief Executive's statement

## Our priority is to ensure we are sustained as a strong and admired company.

But we live in fast-moving times, from the political and economic events of the past 12 months to the deep shifts taking place across society and technology. It's essential that we anticipate what change means for us – and for the people we rely on – and act early to address the opportunities and risks involved.

Experience tells us that thinking well ahead enables us to make much smarter decisions today. Get that right and we strengthen our reputation and deepen our relationships with the people who matter most to us: our customers, communities, partners and employees.

### Pressing issues, evolving trends

The issues we face right now can be complex, and they're often interconnected. Climate change and its impact on the built environment. New regulation. Low levels of productivity in the economy. High levels of unemployment and disadvantage in some local communities. Lack of diversity within our industry.

We're looking hard at these and responding. And we're now giving close attention to a number of other issues set to reshape our industry.

What might resource scarcity mean for us when we start to develop at scale again? Higher costs and slower lead times?

What impact will a growing but ageing population have on buildings, particularly workspace? Will a workforce spanning 16-80 year-olds require a more inclusive approach to office design?

How will the rapid evolution of technology change how people use buildings and the way we design them? To put that in context, we're thinking now about developments that might open in five years' time – and still be in use 30 or 40 years from today.

### A decisive response

So how are we approaching this array of issues and opportunities? We've set ourselves the ambition to lead our industry on sustainability. We have clear and stretching commitments. We have sustainability-related KPIs which are linked to remuneration. We're working to embed sustainable thinking at every level of the Company and we seek to incorporate sustainability throughout the asset lifecycle, from buying to developing, managing and selling assets. And the leadership team is dedicating more time to thinking about the world we'll see around us years from now – the long-term view.

### Leadership drives us forward

In this report you'll see how we've worked to help lead our industry. It was a year when we became the first property company in the world to have

its carbon emission targets approved by the Science Based Targets initiative. We led from the front on green gas and 100% renewable electricity. We gained accreditation from the Living Wage Foundation for our commitments to fair pay across our supply chain. And we took our pioneering Community Employment Programme nationwide, helping even more disadvantaged people gain access to the world of work. I've seen for myself the powerful effect this can have on individuals and the local community.

For an example of how sustainability enhances what we do, take a look at Westgate, our joint venture with The Crown Estate in Oxford. It's in a highly sensitive setting, so we took a thoughtful approach spanning everything from sustainable design to local employment. That's enabled us to go from concepts through public consultations, planning and construction to the opening of 800,000 sq. ft. of incredible retail, leisure and public space in October 2017 in just seven years from start to launch.

I want to highlight a group of people absolutely key to our approach: our partners. By working with our many suppliers and industry peers we can have the greatest positive impact. We believe our progressive approach to sustainability gives us competitive advantage, but that doesn't stop us looking to share and scale innovation across our industry.

We're doing all this from a new headquarters that demonstrates how sustainable design can enhance the employee experience. We've created a collaborative, efficient, technology-enabled space to help us attract, inspire and support talent. It's a stage on which our people can perform together brilliantly. We're pleased it's already earned recognition from others, winning the Offices Refurbishment & Fit-Out award at the BREEAM Awards 2017.

### Looking ahead

We know there's more we can and must do over the next 12 months and beyond. Given the pace of change outside the business, we need to keep pushing ourselves inside the business. Most of all, we must continue to anticipate and address our evolving challenges so we keep providing the right space for our customers and communities – helping businesses and people to thrive.



**Robert Noel**  
Chief Executive



**Robert Noel**  
Chief Executive

# Strategic update

**We buy, sell, develop and manage commercial property. We focus on offices, retail and leisure in London, and retail and leisure outside London.**

Our aim is to create a great experience and real benefits for people, from our customers to our local communities, partners and employees.

As the largest listed commercial property in the UK by market capitalisation, we can have a big impact when we do things the right way. We consider carefully both the short- and long-term effects of our actions, putting sustainability at the heart of our approach.

Our vision is to lead the UK listed real estate sector in terms of sustainability. We've often set the pace but we're far from complacent: there are always new challenges to meet and opportunities to address. This year we continued to focus on truly embedding sustainability at every level of the business and setting even higher expectations across the Company.



Communicating about sustainability is often a one-way thing. We report on our priorities and actions but we also listen to and act on what others have to say, not least our investors."

**Miles Webber**

Director of Corporate Affairs and Sustainability

## Creating value

Beyond creating social and environmental value, we believe that our sustainability programmes are also actively generating short and longer-term value for our Company. We believe that our strategic activity as a responsible business results in numerous commercial benefits which ultimately help drive our competitive position in the market, and in turn, maintain our licence to operate:

- **Cost savings:** By reducing energy intensity across our portfolio we have reduced bills for our customers and are responding to their sustainability priorities.
- **Product differentiation:** The sustainability credentials of our buildings are playing an increasing role in our customers choosing our space.
- **Risk mitigation:** Mitigating now for climate risk and ensuring our properties are more resilient will pay financial dividends in the longer term.
- **Making our people proud to work for Landsec:** Our people are passionate about our sustainability commitments and we feel there is a link between sustainability performance, engagement levels and attraction and retention of talent.
- **Strengthening our brand:** Our sustainability performance is an important part of our brand identity and plays a key role in how we want to be perceived by our stakeholders.
- **Responding to investors:** We are seeing increased interest on sustainability from some of our key investors, specifically on the environmental credentials of our buildings and our carbon reduction programmes.

## Stakeholder engagement

We work with and rely on a broad range of people. We think about stakeholders in terms of four key groups:

### Customers

This includes those who occupy or visit our properties – our office occupiers, retailers, restaurateurs and residential buyers. It also includes the employees of our tenants, shoppers and anyone else who spends time and money in our space.

### Engagement in action

We run regular engagement surveys with our customers. We regularly visit our buildings, including our sustainability team, so we can meet with people face-to-face and provide practical support. For example, at many of our shopping centres we've rolled out a programme informing customers when they're using energy out of business hours. In London, our energy management teams have visited several London assets this year to talk about our work on energy efficiency. We also collaborate with customers through our Community Employment Programme. See the results of our latest customer engagement survey in London below.

## 2016 Landsec customer engagement survey

# 85.7%

Landsec is acting responsibly and making tangible improvements to the management of energy, water and waste  
(2015: 82.9%, 2.8% increase)

# 84.5%

We feel that Landsec is acting responsibly and is having a positive effect on the local community  
(2015: 82.2%, 2.5% increase)

## Communities

This includes our neighbours and those who live or work in the areas we do business such as local residents, businesses, schools, colleges and charities. It also includes the national charities we support.

### Engagement in action

We consult with local residents, businesses and community groups whenever we develop a new asset. We use surveys and meetings to ensure we understand and address their views and keep them up to date with development plans.

On retail schemes we approach community engagement on an individual basis as each development is unique with different contexts and stakeholders. Bespoke engagement strategies are evolved and implemented by the development team reflecting this. We have taken great care in Oxford to consult an extensive range of stakeholders as they all play a vital role in the city.

In London, due to the number of developments, we have a dedicated Community Liaison Manager for all projects. We understand the impacts that new developments can have during their construction and we always require that our principal contractors provide local stakeholders and residents with the information they need to minimise any disruption and disturbance caused.

## Partners

This group includes those who have a direct working or contractual relationship with us and those who share a mutual interest with us. So that can mean anyone from joint venture partners to service providers and their employees; suppliers and their employees; local and central government; NGOs; trade bodies; and industry organisations. We also include bondholders and shareholders in this group.

### Engagement in action

We have a diverse range of partners but sustainability is becoming an increasingly key area for all. With investors, we communicate throughout the year and integrate material sustainability performance in our updates. We also work closely with our joint venture partners to set and achieve shared sustainability ambitions. Service partner agreements now fully integrate with our sustainability targets and expectations. We bring our representatives from our service providers together in Customer Improvement Groups.



At The Galleria shopping centre in Hatfield we produce a regular community newsletter that keeps people up to date with our plans

We engage closely with local and central government. This includes members of our senior leadership team sitting on key boards and committees. For example, Colette O'Shea, the Managing Director of the London Portfolio, is a business representative on the London Economic Action Partnership (LEAP), which brings together local government and businesses to support economic growth and job creation.

We also aim to shape and inform debate. For example, this year Caroline Hill, our Head of Sustainability, was invited to address UK100, a network of local government leaders preparing for the transition to clean energy. The Company is also an active member of key industry groups. We're a UK Green Building Council Gold Leaf member. Caroline Hill sits on the British Property Federation's Sustainability Committee. We are a founder member of the Better Buildings Partnership and our Head of Engineering, Neil Pennell, chairs their Building Operations and Technical Working Group.

Meeting together regularly, our Customer Improvement Groups seek to ensure that all partners relevant to a particular area understand our priorities and policies, and can share their perspectives and expertise.

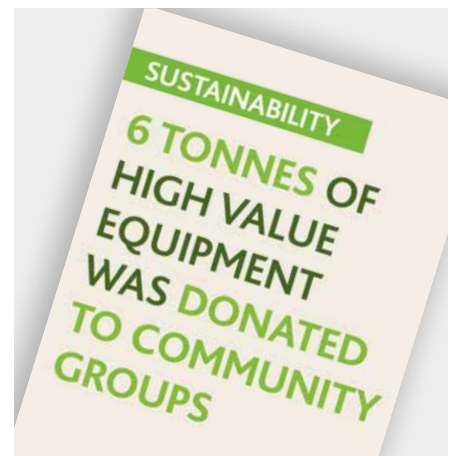
- Principal designers companies CIG
- Occupational health contractors CIG
- Security companies CIG
- MEBF companies CIG
- Principal contractors CIG
- Cleaning companies CIG

## Employees

This group includes everyone who is directly employed by us.

### Engagement in action

We regularly carry out a survey amongst all of our employees and we run an all-company conference every other year. The 2016 conference was themed around 'Anticipating change' and included sections on all of our stakeholder groups. We regularly run sustainability-related Food for Thought discussion sessions too. This year saw us talk about subjects such as science based carbon targets and our jobs and training work at HMP Brixton. This year we also ran a digital campaign on the sustainability credentials of our new head office.



As part of our Head Office move we ran an internal communications campaign to engage our people on the sustainability credentials of our new office

## Materiality review

Our materiality matrix plots issues according to their importance to our stakeholders and to us. The current matrix shows that our most material issues are energy and carbon, and sustainable building design. The matrix was the result of a detailed sustainability materiality review carried out by Jones Lang LaSalle (JLL), which completed in March 2016. The review was undertaken in line with best practice methodologies supported by the Global Reporting Initiative (GRI) and AccountAbility, and involved consultations with stakeholders inside and outside the Company.

## Our sustainability strategy

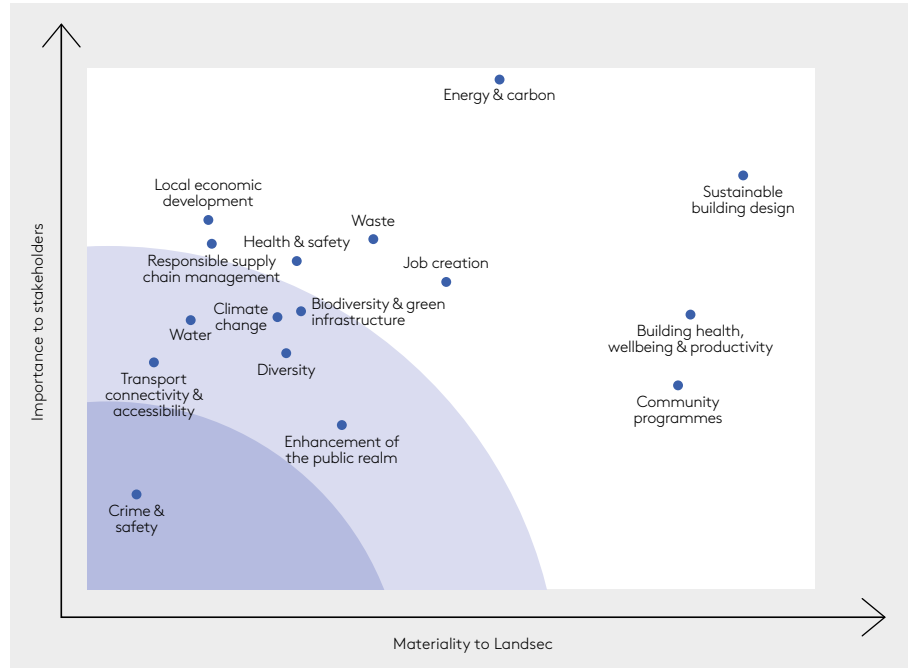
Last year we used our materiality review to inform the development of our sustainability strategy and programme. It was vital that both met the needs of our stakeholders, helped us work towards being sustainability leaders in our industry, and supported our drive to create long-term sustainable value. We chose to prioritise three areas:

- Creating jobs and opportunities
- Efficient use of natural resources
- Sustainable design and innovation

We continued to focus on these areas during the year. They are the foundation of our approach and this is reflected in how we've organised this report and in our commitments. See the inside front cover for more on our commitments.

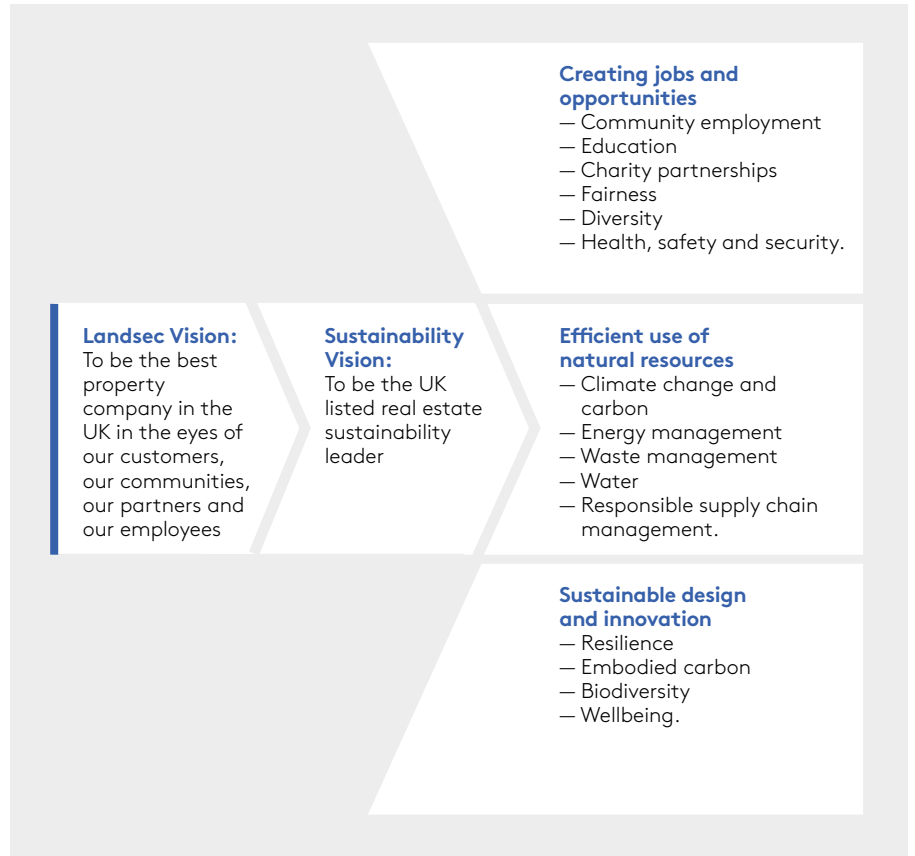
2016 Sustainability materiality matrix

Diagram 1



Our sustainability strategy

Diagram 2



## Group KPIs

As well as our 12 longer-term sustainability commitments, each year the business sets itself a series of annual key performance indicators (KPIs). These are linked to executive and senior management remuneration.

Sustainability issues inform all of our business KPIs in some way but we also have a number of indicators specific to sustainability. Here are our three sustainability-specific KPIs this year, and our performance against each:

**KPI:** Deliver an impactful 'Sustainability Matters' awareness raising and training programme

**Performance:** Over 95% of employees have completed level 1 online training. Level 2 face-to-face training has been delivered across the business covering Smart Investments, Efficient Operations and Sustainable Design and Construction.

**KPI:** Support operational efficiency by conducting site-specific energy reduction assessments of the like-for-like portfolio to accelerate our existing energy management programme

**Performance:** Site-specific energy assessments conducted for all sites in the like-for-like portfolio. For our larger sites, funding secured for measures to be implemented in 23 sites (88%).

**KPI:** 170 people into jobs via our Community Employment Programme and Trainee Academy

**Performance:** 183 people have been placed into employment through the programme.

### Our Group KPIs for next year

— Develop our leading Community Employment Programme and, in particular, place 170 people into jobs. Further expand the programme beyond construction.

— Drive energy management across the portfolios in support of our 2030 corporate commitments by implementing approved energy reduction opportunities.

## Group risks

As with our Group KPIs, sustainability informs all of our principal and emerging risks. Three current principal risks relate specifically to: sustainability, health and safety, and security. Emerging risks include a number of topics covered in this Sustainability Report including the Living Wage; Modern Slavery Act; resilience of the portfolio to climate change; and energy supply.

## Governance

Sustainability is a priority for our leadership team, and their commitment has galvanised support across our business. Our Chief Executive takes overall responsibility, with the wider Board receiving an annual update.

### Sustainability Committee

Ongoing oversight is carried out by our Sustainability Committee, which is chaired by the Chief Executive and attended by our Director of Corporate Affairs and Sustainability and Group HR Director – all members of our Executive Committee – together with our Head of Sustainability, Head of Engineering & Design and senior representation from the London and Retail businesses.

The Committee meets quarterly and is the senior forum for determining our sustainability strategy and reviewing performance.

### Sustainability Working Group

The Sustainability Committee is supported by the Sustainability Working Group. This meets quarterly and is the delivery mechanism for making sure sustainability is considered and integrated throughout the business. The Working Group includes representatives from across the Retail and London businesses and from corporate functions. It looks at all aspects of our business, from development and project management to operations, insurance, engineering, HR, health and safety, and marketing. The group is chaired by the Head of Sustainability.

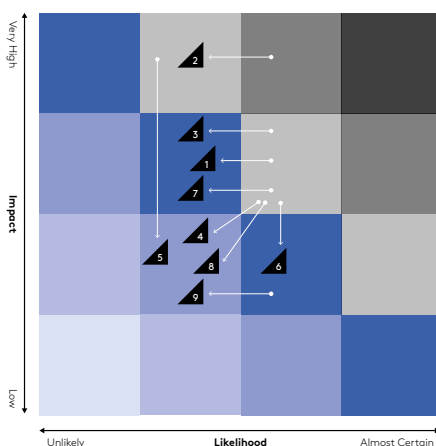
### Sustainability team

The Working Group is supported by the sustainability team. This is an integrated team that sits at Group level and supports the entire business with all aspects of sustainability. The team's remit includes community programmes, charity partnerships, environment and energy management, sustainable design and undertaking analysis and research. The team is led by the Head of Sustainability.

## Risk heat map

Diagram 3

The risk heat map illustrates the relative positioning of our principal risks before and after mitigating actions.



← ●  
Movement of risk after mitigating actions

- 01 **Customers** — Structural changes in customer and consumer behaviours.
- 02 **Market cyclicality** — Market and political uncertainty or change in legislation.
- 03 **Disruption** — Failure to react effectively to new disruptors within our sectors, including technological advances.
- 04 **People and skills** — Inability to attract, retain and develop the right people and skills.
- 05 **Major health and safety incident** — Accident causing injury or loss of life to employees, contractors, occupiers and visitors to our properties.
- 06 **Security threat or attack** — Failure to identify or prevent a major physical security related threat or attack or react immediately and effectively.
- 07 **Cyber threat or attack** — External and internal intrusion to corporate and building management systems and data
- 08 **Sustainability** — Increasing environment pressure and/or properties do not comply with legislation, or meet customer expectations or are unable to withstand the expected challenges of climate change.
- 09 **Development** — Unable to deliver capex programme to agreed returns and/or occupiers reluctant to commit to take new space in our developments.




## Sustainability Matters

This was the second year of our Company-wide Sustainability Matters training programme, which is designed to increase sustainability awareness and knowledge across the business.


We started by launching an online training module back in February 2016. It was mandatory for all employees to complete the module and this was one of our Group KPIs for 2016/17. Over 95% of our employees have now completed the course, and the response has been very positive. The online training module now forms part of the induction process for all new employees.

The online module covers the global issues facing society and the expected impacts of climate change; why this is important to Landsec; and why it's important to us as individuals. It gives an overview of how Landsec approaches sustainability through different stages of the property lifecycle. It also covers the implications of our sustainability strategy on different job roles across the business. The module ends with a short test to confirm the employee has understood the key points. We've seen a pass rate above 99% so far.




  
 To sustain our success it's vital we take a long-term view on everything from employment to environment, then embed progressive thinking across the business."

—  
**Robert Noel**  
 Chief Executive


  
 Initiatives like Sustainability Matters are absolutely crucial if we are to transform the built environment, and Landsec have taken an exemplary leadership position by championing the education of all staff on sustainability."

—  
**Cat Hirst,**  
 Head of Learning & Innovation, UK Green Building Council

To build on our investment in the online module, this year we launched in-depth face-to-face training. These new modules are designed to provide employees with a more detailed understanding of how to embed sustainability into day to day thinking. Attendance is mandatory for key roles across the asset, development, project management, engineering and operations teams. The modules cover:

#### Smart investments

This module is for employees from our investment, asset management and portfolio teams. It explores the business case and strategies for responsible investment. Participants enhance their understanding of how sustainability should be considered in the context of investment and acquisitions; the value implications; and how to effectively implement our new responsible property investment policy and procedures.

#### Efficient operations

A workshop for employees from our operational on-site teams. It covers the key policy drivers and market demand for efficient buildings; Landsec's framework for achieving efficient resource management; how to measure and optimise the operational performance of buildings; how to set energy and waste reduction strategies; and action planning on biodiversity and wellbeing.

#### Sustainable design and construction

Designed for employees from our development, project management and engineering teams, this course takes delegates through a typical development lifecycle, starting from the brief and working through to completion. This module includes immersive training styles such as mock tender interviews. It's focused on how to have the right conversations at the right times.

Feedback has been very positive. We ask all participants to rate their knowledge on the subject before and after the training in terms of a 5-point scale, with 5 being the best. Participants started at 3.0 on average and moved to 4.2 – a 40% increase.

We're looking to develop the training in three ways:

- Provide a module for our leasing and marketing colleagues covering how we communicate sustainability effectively
- Develop informal drop-in sessions for employees not covered already by the detailed face-to-face training this year
- Roll out sustainability masterclasses for those that want to extend their knowledge further on specific topics



The Sustainability Matters training covered important and interesting issues. I certainly came away with lots of new ideas for adding value to White Rose."

—  
**Dean Stratton**  
Centre Manager,  
White Rose, Leeds

#### Meet our Sustainability Committee

Top row:

- Miles Webber, Director of Corporate Affairs and Sustainability
- Robert Noel, Chief Executive
- Diana Breeze, Group Human Resources Director

Bottom row:

- Caroline Hill, Head of Sustainability
- Neil Pennell, Head of Engineering & Design and London representative
- Jat Sahota, Head of Commercial and Retail representative



# Working with our supply partners

Reducing carbon emissions, resource consumption and waste in our supply chain can help us improve efficiency, reliability and pricing – all of which contribute to cost savings. It can also enhance our resilience to future climate-related impacts and market volatility. It's good for our brand reputation, supporting our competitiveness. And it can help us to meet our sustainability commitments.

To achieve this we need to collaborate in smart ways with our supply partners. Our current approach, systems and governance are relatively well developed and robust. They include processes to consider issues such as sustainability, health and safety, insurance, and legislative and regulatory compliance. Our sustainability requirements also focus on:

- Identification and management of sustainability risks, opportunities and compliance
- Evaluation of performance against energy and carbon reduction
- Responsible sourcing of materials and management of waste
- Management of human rights issues; commitment to Living Wage and job creation
- Supply chain management including ethical practices and competency testing

This has brought some level of assurance knowing that there's a basic standard of compliance amongst our supply chain. But we want to do more. Our aim is to ensure our values can be seen through our entire supply chain and that this is reflected in our performance.

This year we reassessed our approach to procurement for developments. Our new approach focuses on having the right conversations at the right times. We're not taking the approach of mandating complex targets through our contracts; we're planning to get everyone on board so our objectives become business-as-usual.

Over the next 12 months our priorities will be to:

- Apply some of the new ideas and processes we've learnt from refurbishing our new head office to a BREEAM Outstanding standard and occupying the space in a sustainable way across all of our

new developments. This includes a combined focus on embodied carbon and responsible sourcing at the early stages of a project.

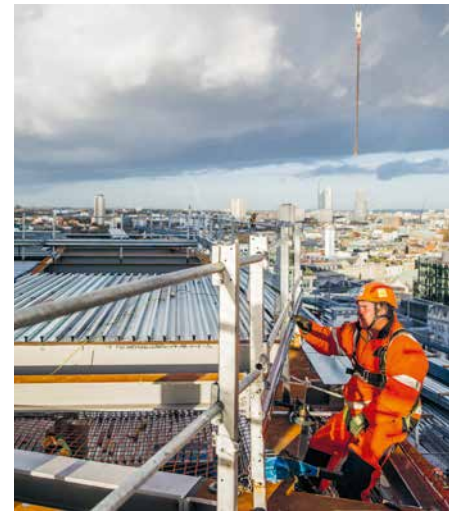
- Further engage our supply partners on our Living Wage commitments and implications in the supply chain. In 2017/18 we'll check all developments. We'll also include a formal commitment in every contract, with all contractors required to measure and report the percentage of direct and subcontracted employees paid the Foundation Living Wage.
- Fully implement the steps needed to meet the Modern Slavery Act requirements through the supply chain. This will mean checking suppliers' procedures in our immediate supply chain, but also checking how they are implementing our requirements on sites around the country.

## Impact assessments

Our activities have a significant impact on local communities and the wider UK economy. To better understand our impact, we now measure the socio-economic and environmental contribution of new developments. Assessing our impact helps us identify where we're already adding value, but it also highlights the issues we need to address to maximise the benefits we generate. So far our work has included a detailed report on the socio-economic impacts of our flagship shopping centre development at Trinity Leeds.

Building on that work, we recently published socio-economic reports on two of our developments in London – New Ludgate, EC4 and New Street Square, EC4. Key highlights from the reports include:

- 3,958 construction workers were employed on the New Ludgate, EC4 project – equivalent to about 916 full-time, year-long jobs
- Of the total direct workforce, 22% lived within the City of London and the seven Fringe Boroughs, far exceeding the 10% target set for construction projects in the City
- 30% of the construction workforce were aged 45 or older, compared to 12% under 25, confirming the importance of continuing to attract young people into construction.
- 269 new jobs were created throughout the construction of New Ludgate, EC4, with a further 503 people kept in work as a result of the project
- Over 300 workers undertook apprenticeships, work-based



Construction workers at New Street Square, EC4

qualifications and work experience while on-site at New Ludgate, EC4

- Over 100 learning opportunities for local unemployed and underrepresented candidates were provided by our Community Employment Programme
- Nearly 1,000 small and medium-sized enterprises were contracted on the project by us and our partner Skanska.

A similar report for our Nova, SW1 development will be made available in the next financial year.

We're now taking our approach to the next level, measuring and communicating social, economic and environmental impacts at our flagship retail development at Westgate Oxford. Together with our joint venture partner, The Crown Estate, we're carrying out an impact study designed to demonstrate the whole value generated by the redevelopment – once the scheme is completed and in operation. The findings will help us maximise our positive impacts in Oxford and give us vital insights to carry into future developments. In addition, we have commissioned a study to assess Landsec's impact on the UK economy in terms of Gross Value Added (GVA) and job creation, and will be reporting findings later this year.

## Assurance

For the second year our sustainability assurance was conducted by EY, who are also our financial auditors. This is part of our journey to embed sustainability across the business and enhance the integrity, quality and usefulness of the information we provide. The EY statement at the end of this report discusses assurance in more detail.

# Investing through the lifecycle

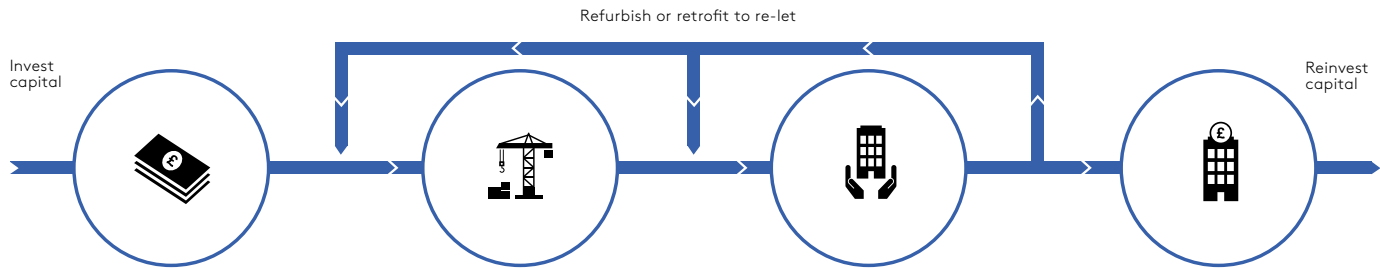
We aim to buy, develop, manage and sell assets in a way that benefits those closest to the Company – our customers, communities, partners and employees.

We believe that responding to people’s needs, and giving careful consideration to the environment, economy and community, helps us to create enduring financial, social and physical value over the long term.

Where we acquire or develop, we work closely with customers and communities to ensure the new space meets their needs and expectations.

We manage the majority of the buildings we own which means we get to see how people interact with them and hear their views. Because we have direct control of assets, we can then take decisive action to improve things for the better.

Across the Company, we aim to develop and manage buildings in a sustainable and innovative way; make efficient use of natural resources in everything we do; and create jobs and opportunities for the people who live near our assets, including marginal groups who are furthest from employment.



## Buy

We acquire an asset if it has the potential to meet the evolving needs of our customers and communities, can be acquired at the right price, and is likely to create financial value for us over time.

This year we significantly enhanced our acquisitions due diligence, building in a much wider set of assessment criteria with a strong focus on sustainability. Our investment and sustainability teams work together to assess a potential purchase and deliver their intelligence to the senior leadership team. Each assessment covers our three sustainability priority areas – creating jobs and opportunities, efficient use of natural resources, and sustainable design and innovation.

Published this year, our Responsible Property Investment Policy sets out the standards for future acquisitions.

## Develop

We develop when we see an opportunity to create space that will appeal to customers, enhance the area and create financial value for us.

We design for the safety, health and wellbeing of occupants. We also design for efficiency and productivity. And we design to improve the public realm around our buildings, including connectivity and wider infrastructure. Our development activity creates job opportunities, both during construction and when the development opens.

To help us pursue our aim of being a sustainability leader in our industry, this year we created a new Sustainable Development Brief which we use to guide our partners. We set tougher targets and higher expectation levels around innovation and collaboration. The brief now gives added weight to jobs and opportunities, natural resources and sustainable design.

## Manage

We work with customers, communities and partners to ensure our building operates efficiently and to help increase local prosperity.

We redesign and refurbish space if we spot an opportunity to make it more attractive, useful and valued. We work with occupiers to manage energy, waste and water as cost efficiency and environmental factors. 100% of the electricity we buy for our managed portfolio is now renewable and we collaborate with customers to reduce energy consumption.

Thinking about sustainability helps us to protect the building from external risks such as price volatility, changing regulation, supply issues and premature obsolescence. And it enables us to meet our commitments.

## Sell

We sell an asset when we see an opportunity to deploy our capital more effectively elsewhere. Through our investment and activity, the building we sell should perform at a higher level than the building we bought – financially, socially and environmentally. This should make it more valuable.

We aim to build a positive legacy, leaving a place in a better state than when we arrived. By helping to improve people’s lives, we strengthen our reputation and add value to our asset.

## Embedding sustainability in investment decisions

As we move through the market cycle we expect to start seeing good opportunities to buy assets. Price is very important, of course, but our number one priority is whether an asset has the potential to create long-term sustainable value. We must consider if it will meet the changing needs of our customers and communities, and also assess how it will be affected by environmental, social and regulatory changes.

### Stronger due diligence

Following a review of our processes by consultants GVA, we have significantly strengthened our due diligence. We now assess acquisitions against a much wider set of criteria using more powerful tools, with sustainability informing every consideration. Our assessments now cover all three of our strategic priority areas – creating jobs and opportunities, efficient use of natural resources, and sustainable design and innovation. The



Landsec's enhanced responsible property investment strategy and governance demonstrates true leadership to stakeholders. Their transparent approach to assessing sustainability considerations in acquisitions sets the benchmark for investors in the industry who wish to implement similar practices in their own investment decision-making processes."

—  
**Jonathan Gibson**  
 Head of Sustainability,  
 GVA

importance of this due diligence work was underlined by the publication of our new Responsible Property Investment Policy, which clearly sets out the standards we've set for all future acquisitions ([www.landsec.com/sustainability](http://www.landsec.com/sustainability)).

### Shared intelligence

Under the new approach, our sustainability and property portfolio teams work together from day one to assess the current condition and future potential of an asset. That enables us to better understand the property through the lifecycle and take a more detailed look at future risk. With swift decision-making often essential when buying, our teams work to ensure this deeper consideration of an asset's future value supports rather than hinders investment decisions.

The intelligence collected by the teams is given to our Retail and London Executive Committees, Investment Committee and Board. They then review the information and consider the potential impact of the transaction to our business, balancing opportunity and risk. If we do buy the asset we gain further value from our assessment work, as the data and insights we've gathered are used to inform how we develop and manage the property. We've updated our Investment Committee Appraisal Guidelines to reflect this new policy and expectations.

Our enhanced due diligence approach is an important step forward given the constant evolution of material issues such as climate change, resource depletion and demographic change.

## Enhancing our approach to development

In January 2017, we agreed a new set of metrics for our development pipeline that will help us to address all 12 of our sustainability commitments. In the past our Sustainable Development Brief focused on engineering and environmental performance. Now this will also include our requirements for creating jobs and opportunities, as well as diversity and fairness.

Many of our existing targets in the Sustainable Development Brief have become business-as-normal, so we've also reset our ambitions. You'll now find tougher targets and higher expectations included in the brief, such as returning surplus materials to their original manufacturer, reducing embodied carbon intensity, responsible sourcing and improving biodiversity. None of these are new to

the industry, but we're bringing them into our approach as standard on large developments.

As part of our Sustainable Development Brief, and to support innovation on our projects, we're also aspiring to do something new – either new to our business or new to the industry – on every development. We're leaving this relatively open, as we want to inspire and encourage our employees and partners to innovate in meaningful and effective ways.

### What does it take to lead?

This new approach to development was the result of a 12-month consultation with employees from across the business and 26 of our supply chain partners. It was a tough process that revealed some strengths we didn't know we had along with areas for improvement. We asked the question: if we are going to lead listed real estate companies in sustainability for developments, what would that take? The responses were really varied but many asked us to be more demanding, to encourage and facilitate more innovation, and to provide compelling design briefs. That's what we've done.

### New commitment

Another key change this year is the introduction of our new resilience commitment – 'assess and mitigate site specific climate change adaptation risks which are material across our portfolio'. This is supported with a metric for developments: 'Climate change adaptation risk review undertaken and design measures implemented which address structural and fabric resilience'. This means new assets will be designed to resist the onset of climate change.

You can read more about our work on sustainable design on pages 40-47.

# Our Westgate Oxford shopping centre is set to open in Autumn 2017. It features some 100 retailers and restaurants over 800,000 square feet, plus a beautiful roof garden.

We've worked hard to make sure the development provides a great experience for everyone who visits, while supporting our sustainability goals.

## Getting to work

From the moment we started designing we thought about how the centre could provide more local jobs and opportunities. One of the ways we're boosting employment is by partnering with Aspire Oxford, a charity that works with ex-offenders, the long-term unemployed and those who have been homeless in the past. With our support, Aspire is running two pre-employment programmes in construction. Candidates learn construction skills and find roles on our Westgate site, or with our construction partners on other sites. We've planned further programmes in customer service – due for launch next year – so Westgate can have a long-term impact on employment once it's open for business.

## Making space to grow

The stunning roof space includes a kitchen garden. Different areas will feature different flowers, so visitors can experience new shapes, textures and scents throughout the year. The herb garden will include fragrant perennials like rosemary and sage, to be used in food, medicines and perfumes. It's a way of increasing biodiversity that stimulates the senses and enhances our customers' experience.

## Dreaming spires

We have designed the building to make the most of the panoramic views of the dreaming spires across the city. To do this we have provided a central condenser water system which allows many of the retailers to provide heating and cooling to their shop units without having to install any equipment of their own on the roof. To maximise energy efficiency, we have connected six air cooled heat pumps and an array of eight heat rejection units into the central system which input heating and cooling to balance the retail unit loads. The central plant is all contained on the roof of just one of the blocks. As well as preserving the view, this approach gives us extra roof space we can turn into value-creating accessible areas.

## Being part of the community

Throughout development we've used surgeries, notice boards, newsletters, exclusive events, emails and more to interact with local people and encourage them to become involved with the centre. Getting to know everyone from community groups to individual residents has helped ensure we understand how people feel about the site and avoid potential problems. And it will encourage people to visit and enjoy the space. In a recent survey, 60% of respondents from the local community said our communication was good, and 40% said it was excellent.

## Celebrating young business

This year we worked with students from Oxford Academy, St Gregory the Great School and Oxford City College on a business challenge. With the help of mentors, students came up with a product idea to sell on a stall. The products were then judged by a team of experts. The winners caught the judges' eye with hand crafted canvas tote bags stencilled with the city's dreaming spires and the words 'City of Oxford'. We're now planning for the winners to sell their product at a pop-up stall at Castle Quarter this summer, and in Westgate when it has opened.



Our challenge at Westgate was the delivery of a super-efficient energy loop with one of the largest deployments of centralised air source heating of its kind in the UK at its heart. The operational efficiencies of this system will contribute significantly to Landsec's goal of delivering the lowest carbon retail led scheme in the country."

—  
**Phil Grew**  
Head of Retail,  
Hoare Lea



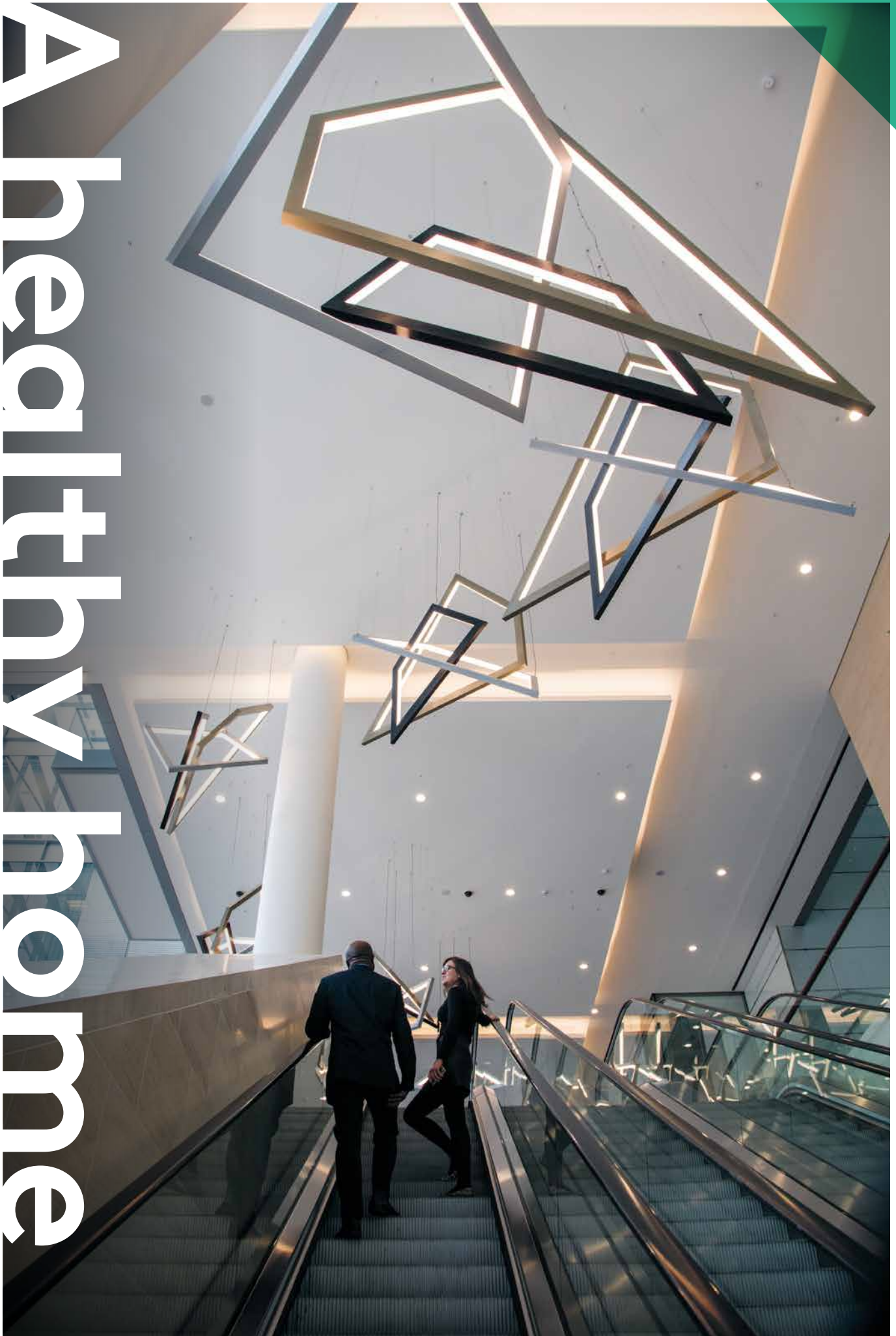
CGI images of Westgate Oxford



# Welcome to Westgate



# Ahead of the home





## This year we moved our head office team to 80-100 Victoria Street, SW1. Following a project to refurbish the space, over 400 staff now occupy the first floor.

This is a ten-year old building, which demonstrates the resilience of our properties over time. It's now a great working environment for our people and truly sustainable too, winning the Office Fit-Out prize at the 2017 BREEAM Awards.

### Focusing on health, wellbeing and collaboration

We wanted the space to improve staff health and wellbeing, and remove obvious barriers to collaboration. To do this we needed to design our office environment with wellbeing in mind and, most importantly, bring the whole team together on to one floor.

To increase comfort, we increased the amount of fresh air and maximised the use of daylighting, we looked at noise and temperature control, and added Circadian lighting systems to match the behaviour of natural light. We also specified materials, paint, glue and varnish to completely remove harmful chemicals.

There's free healthy food, a juice bar, a social hub and shower facilities. There's also a contemplation room and a health and wellbeing library. We're pleased to say that our efforts were well worth it. We conducted a Leesman survey for workplace productivity and found that satisfaction with lighting increased by 25%, and air quality levels by over 40%, when compared to the previous office. 88% of our staff now feel that the new office design enables the Company to work productively, against the global survey average of 67% and showing a 20% increase from our previous office.



We were awarded a BREEAM Fit-Out 2014 "Outstanding" rating for achieving a score of 92.3% at the design stage. We also tested the space against the WELL Building Standard and we're pleased to report that the office is on target to be the largest fully certified WELL space in the UK.

### Creating greener developments


We chose products with a high recycled content, including carpet tiles that are 44% recycled. And we made smart design decisions – for example, we cut the amount of materials needed by specifying frameless glazing and by omitting the suspended ceiling. As a result, we reduced our impact by 11%, and used around half the embodied carbon intensity of a comparable high-end office project. See page 43 for more about embodied carbon.

### Working to reduce waste

We removed existing equipment from the site, giving six tonnes of it to community groups. Around 98.10% of the materials removed during the strip out of the space have been recycled and reused. The pre-development furniture was reused off-site, the main beneficiaries were University of Arts London, and not-for profit organisations including Scout Groups and the Chicken Shed Theatre. We also donated five tonnes of our old IT equipment through a social enterprise called Green Machine, which provides affordable computers to charities and people on low incomes. Refurbishment projects like this usually produce over 300 cubic metres of waste. By persuading suppliers to transport materials in reusable plastic crates, and by sending spare materials back to manufacturers, we reduced waste to just 50 cubic metres – around the same volume as two supermarket delivery vans.

### Staying safe, healthy and secure

The new office is a multi-tenanted building. So we've asked team members to take more responsibility for security. For instance, team members and visitors use security passes to move around.

 Collaboration between the client and project team lay at the heart of this project to improve the sustainability and healthiness of Landsec's new HQ. The result is a building that maximises staff wellbeing through improved natural light and air quality."

### BREEAM Judges

Refurbishment and Fit-Out Award 2017

These are worn around the neck on colour coded lanyards to increase staff awareness or any unauthorised presence. There are new safe working issues to guard against too.

With over 700 places to sit we needed to create a new Agile Working Policy. To check how the policy was working in practice we used a professional ergonomist to review working positions and styles around the new space. We also thought about security, making sure our staff protect their equipment and data when they work in several places.

### Creating sustainable supply chains

99.97% of materials for the fit out came from sustainable sources, as defined by BREEAM, from glass and aluminium to sofas and chairs. The project was also awarded FSC Project Certification, which guarantees that every piece of timber was sourced from sustainably managed forests.

### Improving energy efficiency

Energy Star computer equipment allows us to reduce our energy use from day to day, while LED lighting and efficient building services reduce the amount of energy we need. Meanwhile, a Demand Logic data analytics system – a kind of Fitbit for buildings – helped us commission the buildings controls and allows us to continually assess and improve operational performance and energy efficiency through a user-friendly interface.

# Creating jobs and opportunities

## A stronger workforce means better business.

Although unemployment is at an 11-year low, there will be many unfilled vacancies in construction by 2018. This is a serious issue for our industry: without the right people in the right roles developments may be delayed, construction prices could rise, and business will slow.

Yet there are people out there who could do great work given the chance, not least homeless people, disabled people and ex-offenders. Others, particularly young people, have a huge amount to offer – but don't think a career in property is an option.

We're connecting these dots: bringing more people into our industry and building a strong workforce for the future. Alongside partners from our communities and our supply chain, we give disadvantaged groups the training they need to get back into work. We work with schools to encourage students into construction and customer service roles. And we attract talented people to Landsec by being a great place to work.

In this area we focus on community employment, education, charity partnerships, diversity, fairness, and health, safety and security.

## 1. Community Employment

**Our commitment:** Help a total of 1,200 disadvantaged people secure jobs by 2020

We support disadvantaged people by providing training, work placements and a direct route into a job. We help candidates find work in construction,

# 962

Since 2011, our Community Employment Programme has helped 962 people into work

on our sites and with our construction partners. And we help people find work in customer service, in our office properties and shopping centres. To do this we partner with other organisations, such as local authorities, charities and specialist training providers.

By helping people find work, we boost local economies. We strengthen our workforce for the future. And we enhance our reputation.

### Our Community Employment Programme

Our Community Employment Programme is a package of employment initiatives involving training providers, charities and partners from our supply chain. It targets those furthest from the job market, including homeless people, the long-term unemployed, people with learning disabilities, ex-offenders and serving prisoners. In 2016/17, 183 people were supported into work through our Community Employment Programme.

The programme plays an important role in the planning process and beyond. It shows local authorities how our work can benefit an area. It also enables us to take an active role in enhancing local prosperity and influencing policy.

Landsec is showing real leadership in the sector – they invest in economic and social priorities supporting people in the communities in which they operate.”

Andy Cook  
Chief Executive,  
Centre for Social Justice

### Taking the programme countrywide

When we started the programme in 2011 we focused on helping candidates in London find work on construction sites – particularly our own sites. In 2015 we launched the programme at our Westgate development in Oxford, partnering with City of Oxford College to help 22 candidates find work in both construction and in customer service.

This year, while continuing our work at Westgate (see page 12), we expanded the programme geographically, from Portsmouth to Leeds. Working in our shopping centres, we're also offering more opportunities in customer service – a reflection of our strategic shift away

from development activity towards more asset management. In this busy year, we:

### – Opened our Learning Academy at Gunwharf Quays in Portsmouth

This is a partnership with Highbury College and the local Jobcentre Plus. Candidates develop customer service skills, such as good communication, with the aim of securing a job with our retail brand partners. At the academy's jobs fair in October over 494 jobseekers competed for 88 seasonal roles.

### – Launched a new programme at St David's in Cardiff

This two-week programme offers candidates customer service training with brand partners such as Apple, plus work experience in shops including John Lewis and EE. 11 previously unemployed candidates progressed into employment.

### – Launched a new programme at White Rose in Leeds

This partnership with Construction & Housing Yorkshire helps candidates develop construction skills. The aim is to find them a role at White Rose or with our partners as we build a new cinema and restaurants.

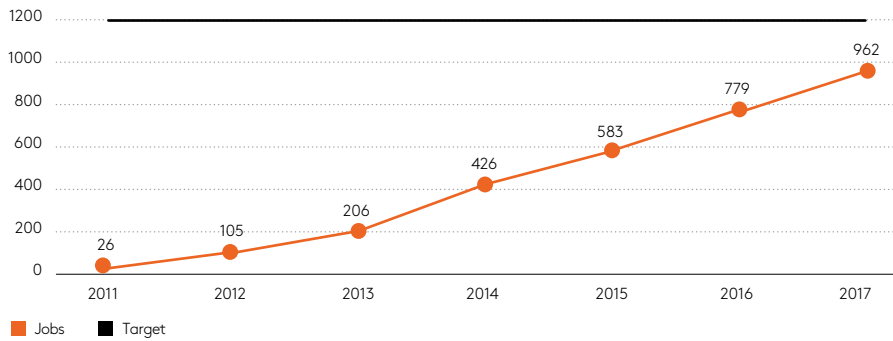
### – Established a Customer Service Academy at Nova, SW1 in London

A partnership with Step Ahead, the academy will support retail and hospitality customers in our Nova, SW1 development, helping them find the best candidates for their vacancies.



## Cumulative total number of jobs secured

Chart 4



### Bouncing back into employment

This year we researched how we can make more impact. Knowing that it costs the taxpayer over £50,000 a year to keep someone in prison and £26,000 to keep them on benefits, we looked for ways to support prisoners and ex-offenders.

Working with Bounce Back, we'd already launched a dry lining training centre in HMP Brixton Prison in 2015 – the first in the UK. This year we extended our prison programme, working with Alandale Scaffolding to launch a scaffolding training centre in the prison – again a UK first. The centre tackles the need for scaffolding recruits in our industry. And, as with the dry lining centre, it's helping to reduce reoffending rates. In Bounce Back's most recent impact report, in 2014, the reoffending rate of people who had been through their programmes was less than 12% compared with a national average of 50%.

Landsec's Community Employment Awards are essential in recognising the commitment and work ethic of individuals who find themselves on the programme."

—  
Jeff Joseph

Community Investment Manager,  
Higgins Construction



### Construction Academy: Chantal's story

Chantal was unemployed for years before joining our Construction Academy. After some training and a work placement, she earned herself a full-time job as a Traffic Marshall with Keltbray, managing the flow of vehicles in and out of our construction sites. She was a winner at our Community Employment Awards.

#### What did you do before joining the Construction Academy?

I had a job as a carer. I used to look after the elderly and go from house to house. One day my car was stolen and the job was finished. Then it took me seven years until Landsec fished me out!

#### How has Keltbray supported you?

They train people. That word 'training' was very interesting for me, because I had never worked on site before and I didn't know anything about it. I would never have thought that I would be here. For me it's a miracle.

#### How has this changed your life?

Every day is an achievement because every day I'm learning. Coming to work, earning money, but also learning for the future. I just feel more independent again. It's changed not only my life but my family's life. The whole family are happy because of this job.



Trainees constructing a scaffold platform at our Academy at HMP Brixton



Landsec's support will ensure candidates have a smooth transition from custody into the outside world, to secure meaningful employment and return home to lead a productive and law-abiding life."

**Fred Sirieix**

General Manager, Galvin at Windows and creator of The Right Course: an initiative giving young offenders the skills they need to enter the hospitality industry

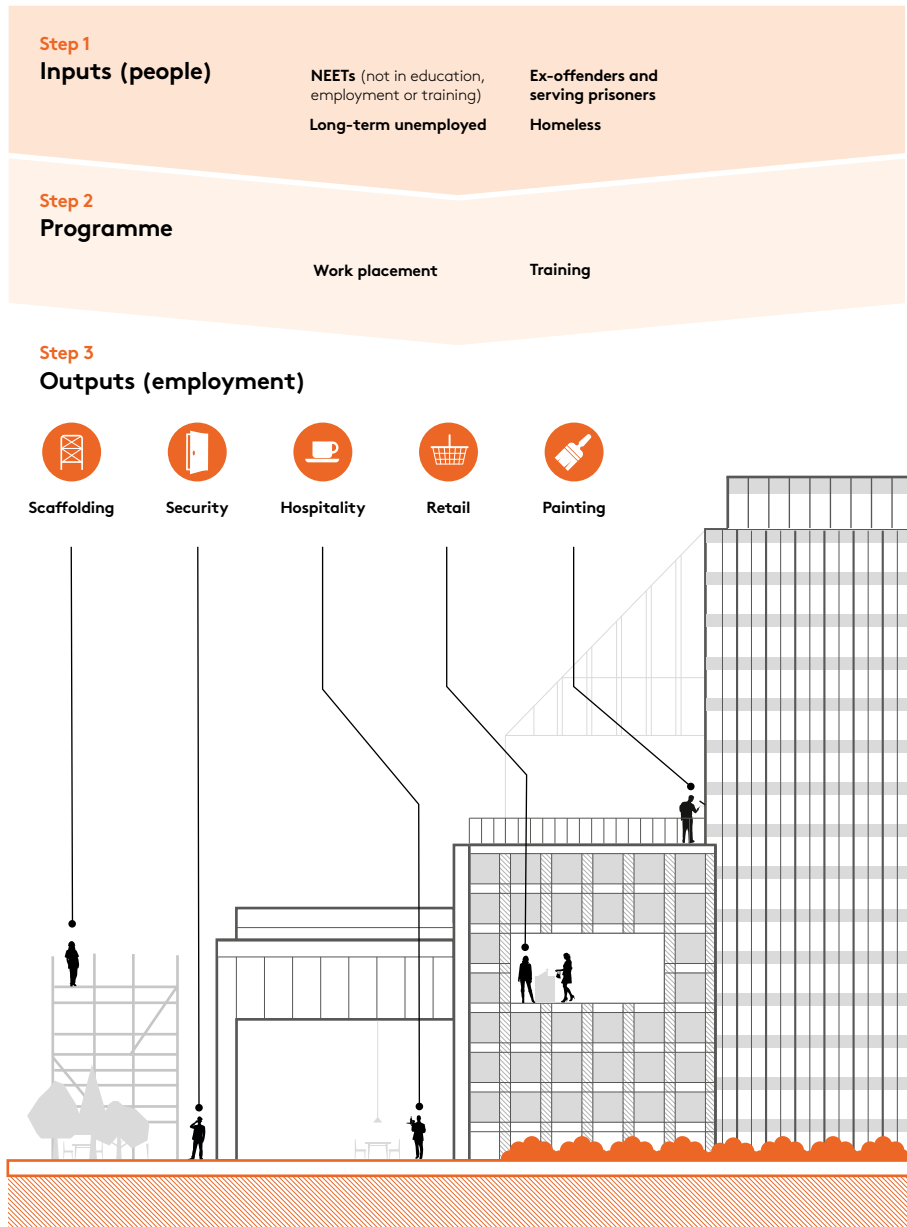


**Recognising success**

To celebrate five successful years of our Community Employment Programme we held our Community Employment Awards. The event recognised people who, by taking part in our programme, have overcome obstacles to find jobs and do them well. The audience heard from inspiring speakers: Jules Pipe, the Deputy Mayor for Planning, Regeneration and Skills; Fred Sirieix, General Manager at Galvin restaurants; and Kali Hagenstede, our Highest Achiever from 2015. Jules Pipe said: "This programme has a positive impact on the lives of those it helps back into work."

**Community employment**

Diagram 5



I am delighted to see Landsec pledging to help 1,200 disadvantaged people, including ex-offenders, secure jobs by 2020. Landsec, like the Ministry of Justice, see prisoners as potential assets, people who can contribute to society and give something back. The MoJ is committed to making prisons places of reform where offenders can change their lives around and turn away from crime. It is only through better rehabilitation that we will reduce reoffending, cut crime and make our streets safer. Employers and trainers like Landsec are absolutely vital to this work."

**Sam Gyimah**

MP, Prisons Minister, Ministry of Justice

## 2. Education

While general unemployment is low, many people – especially young people and those from specific ethnic groups – face barriers that stop them accessing jobs in our industry. There's a lack of role models, especially for girls. Often, people don't understand the roles available. Others don't have the right skills for those jobs, or the confidence to apply. As a result, the property industry is not representative of the communities in which we operate.

Through our education programmes we:

- Inspire young people about career opportunities in our industry to increase representation from under 25s
- Give them the skills they need to succeed in those careers
- Enable our employees – and our partners – to volunteer their expertise and energy

Since our first project back in 2012 Landsec have supported over 2,000 young people across the UK. The partnership with Landsec has helped us bring Make the Grade to schools, colleges and young people at a much accelerated rate."

**Stephanie Burras**  
Chief Executive,  
Ahead Partnership

Participants  
in Girls Can  
Do It Too

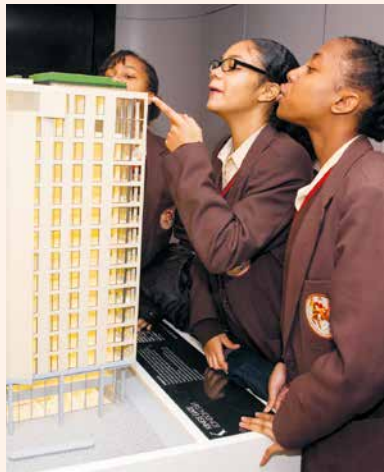
Our work encourages more students, from a wider range of backgrounds, into our industry; making businesses like ours more diverse and more successful. It also ensures our assets are more representative of the local area, which in turn makes them more appealing to local people.

Our education programmes also help us engage the wider community, including students, schools and families. The programmes raise awareness of our developments, start conversations, and develop our local relationships. In many of the areas where we work there's a degree of social inequality – so we particularly want to reach out to those pockets of disadvantage, creating jobs and opportunities for all.



Landsec have been incredibly supportive. We are grateful for the use of their superb venues and they've helped steer the College towards sustainable success."

**Karen Barker**  
Principal Designate,  
Sir Simon Milton  
Westminster UTC



## Girls Can Do It Too

We launched our new girls' education programme, Girls Can Do It Too, to show girls there's a place for them in the construction industry. We partnered with two girls' schools in London – St Martin-in-the-Fields High School in Tulse Hill and Mount Carmel Catholic College in Archway – and asked students to design and build a model of a new property development. Alongside our partners Keltbray and JLL, we ran sessions to help students think about everything from finance to sustainability. Then we invited students to pitch their ideas to a panel of 'dragons'. The winning development was a futuristic leisure centre in the shape of a giant football from Mount Carmel's Interstellar team.

# 800+

Number of students we worked with last year

# 41%

Across the available data, 41% of pupils involved in Make the Grade are eligible for the Pupil Premium. The national average is 29%. This suggests that Make the Grade is reaching more students from disadvantaged areas – which is an important part of our work in levelling the playing field.

Teachers report that participation in Make the Grade is a contributory factor in reducing the risk of young people becoming NEET: not in employment, education or training.

## Inspiring young minds

This year we worked with over 800 students between the ages of 12 and 18, particularly focusing on students from disadvantaged backgrounds through working with schools that have a higher than average proportion of children receiving free school meals. We built on our existing programme by running our:

- Introduction to Property Development programme, which introduces sixth formers to topics such as construction, marketing, architecture and sustainability, and delivers training in employability skills
- UrbanPlan, an interactive learning programme that teaches students about developing the built environment
- Mentoring programme at Westminster City School, where employees from our customers, partners and other businesses volunteer to support students
- Reward Scheme with Whitehawk Academy, which incentivises pupils to improve their attendance by rewarding them with fun activities at Brighton Marina

## Developing the right skills

We're supporting Sir Simon Milton Westminster University Technical College (UTC): a new kind of college for students wishing to pursue a career in construction, engineering and other roles that require both academic and technical ability. The college is due to open in September 2017 and we've played a key role in promoting student recruitment. To complement the curriculum, we've planned and will help run industry challenges for students.

## Helping more students

### Make the Grade

We also found ways to reach more students by working with a range of training providers. These included Construction Youth Trust, and also Ahead Partnership – a social enterprise that connects communities with enterprise.

This year we grew our work with Ahead by launching new initiatives through their school-specific programme Make the Grade. For example, we ran a Master Planning challenge at our development in Ebbsfleet Garden City, in collaboration with Ebbsfleet Development Corporation (EDC) and other partners. 90 students from Ebbsfleet Academy visited The Observatory, our viewing platform and marketing suite, before creating their own master plan for developing Ebbsfleet Valley. After some model-building and a meet-the-employer session, students presented their ideas to a panel from Landsec and EDC. As well as helping students understand how projects work, this showed that we design developments with the community in mind – countering some local misconceptions.

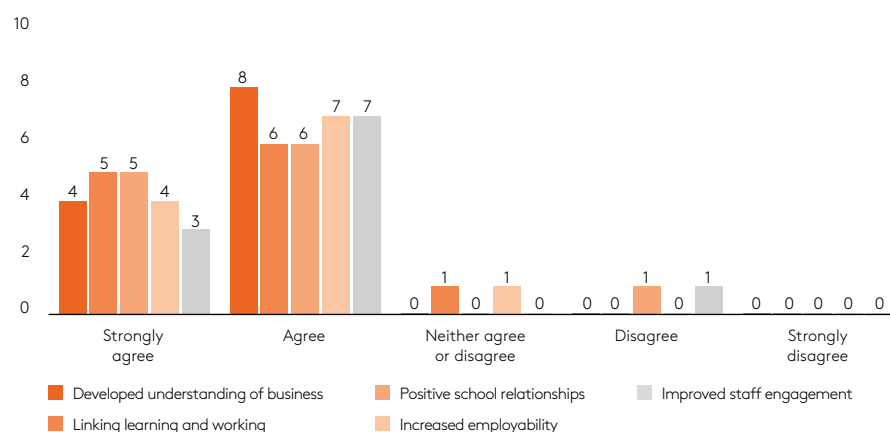
Other Make the Grade activity included Girls Can Do It Too, Made in Oxford, and the Trinity Kitchen Challenge in Leeds – see our highlights.

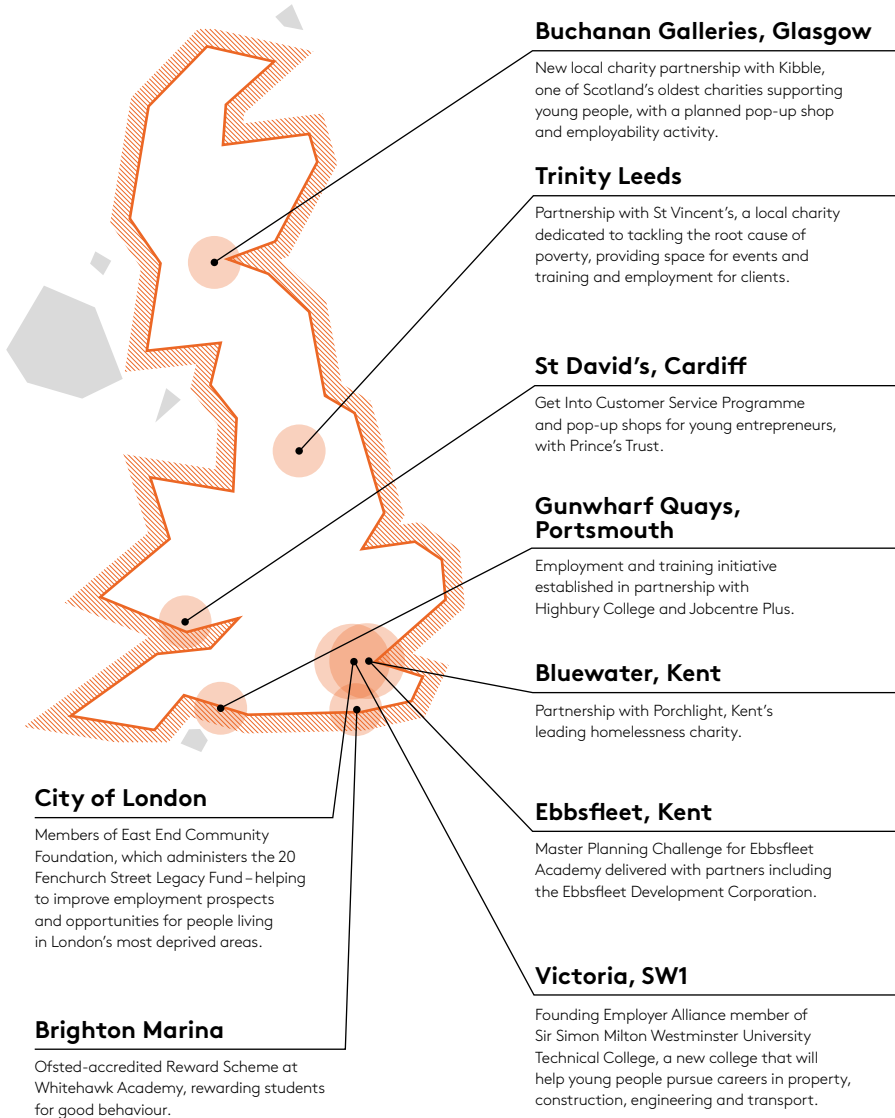
## Learning by giving

Volunteers are vital to our programmes. Our own employees work on everything from one-off careers days to long-term projects like the Ebbsfleet Master Planning. Our partners are pivotal too: for instance, women from demolition and engineering company Keltbray and property investment management business JLL got involved in Girls Can Do It Too. Volunteering is a rewarding experience. As well as supporting students, volunteers often bring new ideas and skills back into the workplace.

## What employers said about our Make the Grade programme

Chart 6





By engaging proactively with Landsec and their subcontractors on the Westgate Oxford project we are delivering credible social impact in Oxford and embedding employment outcomes for men and women from disadvantaged backgrounds at all opportunities."

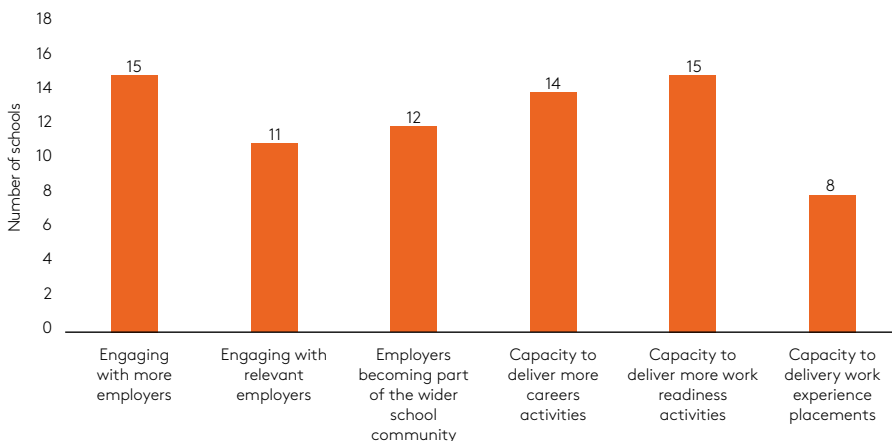
**Paul Roberts**  
Chief Operating Officer  
(Employment & Partnerships),  
ASPIRE Oxford

Make the Grade gives students a range of meaningful and unique experiences outside the conventional classroom, crucially connecting them to the world of work."

**Chris Rees**  
Head of 6th form,  
Westminster City School

What schools say about how Make the Grade helps them connect with employers

Chart 8



### 3. Charity partnerships

We work with charity partners to:

- Help disadvantaged people into work
- Support and educate young people
- Respond to local issues, such as rising homelessness

We work with one national charity across our business. At the same time, our shopping centres and larger sites have at least one local charity partnership. We offer whatever we can – funding, volunteers, pro-bono support – and open up our spaces for community events.

As well as benefiting our charity partners, this work allows us to run activities such as firewalks and pop-ups, enhancing the experience of shoppers and employees. It also allows teams to come together in rewarding projects, helping to keep employees happy and helping us retain talented people.

#### Celebrating our work with Mencap

This was the third and final year of our national partnership with Mencap, the UK's leading learning disability charity. Across our partnership we raised over £360,000. This is thanks to fundraising events such as our Step Up Challenge, where employees raised money by climbing 37 floors of our 20 Fenchurch Street, EC3.

We also created work opportunities for people with learning disabilities. 52 Mencap clients have now completed work placements. 21 have found work through our Community Employment Programme.



Our work together has helped improve lives and raise awareness of learning disability both within local communities as well as internally within Landsec itself."

**Jan Tregelles**

Chief Executive, Mencap

#### Launching a new partnership: Barnardo's

As our partnership with Mencap comes to a close, we've announced our new national partner: Barnardo's, the UK's largest children's charity. For the first time, we asked employees to nominate charities that could help us to achieve our goal of creating jobs and opportunities, and we put our final shortlist to a company vote – 70% of respondents chose Barnardo's. Working together, we will continue to support young people – particularly those who are not in education, employment or training.

#### Local partnerships

During the year we completed a review of our local partnerships. We're now confident that all our partnerships will help us create jobs and opportunities. We also set up a Retail Community Fund. Teams from our properties can bid for grants from this fund, to set up new charity partnerships.

Our new Community Champions are responsible for our charity and community partnerships. This network of employees builds and manages relationships locally. 30 Community Champions across the Company met up this year for workshops and training.

Our partnership with Mencap:

**+£360k**

Raised to support people with learning disabilities

**+1,000**

People took part in Mencap events

**52**

People got work placements

**21**

People got a job







20 Fenchurch Street, EC3

Rick Cuthbert, a Landsec employee, taking part in Ride London to raise money for our charity partner Mencap



**Continuing our work in homelessness**

Our teams in London continued to help tackle homelessness. As part of our Homeless to Work strategy, we partnered with the Cardinal Hume Centre, a charity helping young homeless people and local families. We offered financial support, including almost £20,000 raised by the Landsec Christmas Carol Concert. 20 volunteers from our team also helped with activities such as speed-conversation classes for students looking to improve their English.

We also expanded our work in homelessness across the UK. We're particularly focusing on Oxford, where homelessness is rising. We've partnered with Oxford Homeless Pathways, and are developing a proactive homelessness policy as we prepare to open our Westgate shopping centre in Autumn 2017. See page 12 for more.

This year we continued to support LandAid in their mission to end youth homelessness. As a Foundation Partner, we offer financial support and pro-bono expertise.

**20 Fenchurch Street Legacy Fund**

In 2015, working with Canary Wharf Group and East End Community Foundation, we set up the 20 Fenchurch Street Legacy Fund.

This gives customers a co-ordinated way of giving to charity. In the first year £96,436 was distributed to five local charities. Thanks to the fund, 28 people came off work-related benefits and 128 gained an accredited qualification. 165 are now in sustainable employment.



**Supporting veterans into employment**

We are part of the Ministry of Defence Corporate Covenant – which is designed to enable businesses to support veterans into work. For example, we offer space in our retail centres for military charities and recruitment. We launched the Royal British Legion Poppy Appeal at our Bluewater Retail centre and across the portfolio raised over £127,000 in donations.

This year we supported the Business in the Community Veteran Toolkit – written in partnership with military recruitment specialists, Salute My Job. It is designed to help businesses strengthen their workforce by offering veterans fulfilling second careers. The launch of the toolkit saw Caroline Hill, Head of Sustainability, and Debbie Akehurst, Head of Economy and Communities, attend an event and meet HRH Prince Charles at Dumfries House.



We want to thank Landsec for generously supporting our 'Capitalising on Military Talent' toolkit, produced in partnership with Salute My Job."

—  
**Catherine Sermon**  
 Employment Director at Business in the Community



## Spotlight on Lewisham

Lewisham in South London is an area facing anti-social behaviour and youth violence. To help tackle this, our team at Lewisham Shopping launched partnerships with:

### The Circle Collective

This sportswear store is a social enterprise helping young people learn work skills, develop self-discipline, and find jobs. In four years of working together, we've offered free retail space, funding, workplace visits and work placements – and jobs for young people with our partners. This year we found a space for the Circle Collective to use as a pop-up shop. After a successful pilot, which provided over 100 work experience shifts, Lewisham Shopping will host the pop-up for another six months.

### XLP

This charity fights poverty and educational failure in inner cities. We help them deliver mentoring at two local schools – Prendergast Vale and St Matthew's Academy – to support young people who may be at risk of joining gangs. XLP also bring their X-mobile recording studio to our shopping centre every Thursday, to reach more young people in the community.

## Giving trees

This Christmas we ran our Giving Tree initiative. We encouraged shoppers at Bluewater, Kent, St. David's, Cardiff, White Rose, Leeds, O2 Centre, NW3 and Lewisham to buy an extra gift, and to leave it under our Giving Tree for a child in need. The result: gifts for over 30,000 children. While supporting local charities, this generated over £500,000 of sales across our centres, and gave us a return of £3 for every £1 of marketing budget we invested.

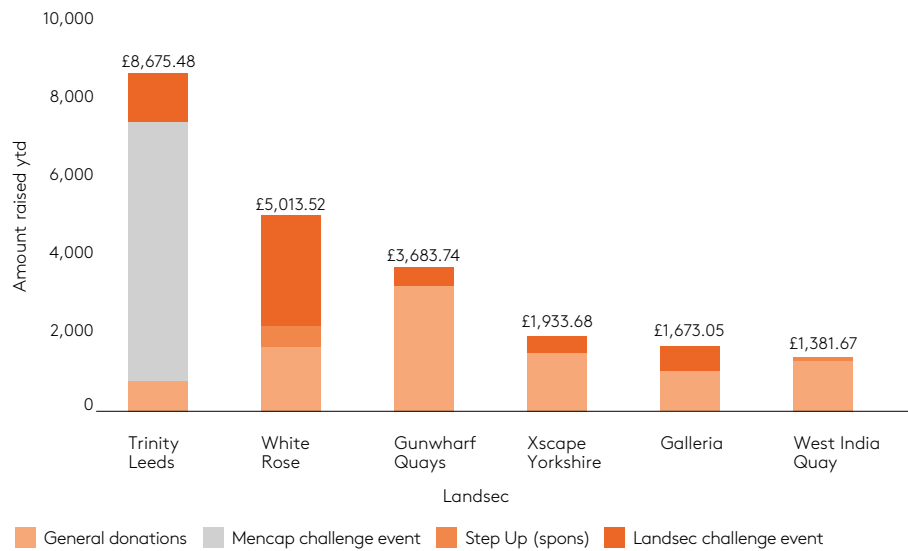


Our wide range of community work in Lewisham this year shows what a powerful impact we can have at a local level."

**Jat Sahota**  
Head of Commercial

Retail portfolio – Mencap funds raised 1 April 2016 – 31 March 2017

Chart 9



We've been working with Landsec for several years now and they are the perfect charity partner. We can't thank Landsec enough for their ongoing and committed support."

**Cathy Corcoran**  
Chief Executive,  
Cardinal Hume Centre

## 4. Fairness

Our commitment: Ensure the working environments we control are fair and ensure that everyone who is working on our behalf – within an environment we control – is paid at least the Foundation Living Wage by 2020.

Fairness is partly about paying people a fair wage. But it's also about upholding their human rights and celebrating their individuality. And it's about making sure they feel safe and respected in the workplace.

Being fair is the right thing to do, ethically and commercially. It helps us attract, motivate and retain great people. It shows customers, competitors and investors that we're a responsible business. And it strengthens our relationships with our partners.

### Foundation Living Wage

In November, the new rates for the Foundation Living Wage were announced: £9.75 an hour in London, £8.45 outside London. This is based on what employees and their families need to live. This year we made good progress towards our 2020 target.

We were delighted this year when we became an accredited Living Wage Employer by the Living Wage Foundation. The accreditation recognises that, across our own team, all employees are paid at least the Living Wage, except interns and apprentices who are exempt from the Foundation rates. In our London business, we're now 100% compliant.

And in Retail, we've worked closely with suppliers and service partners, and we're confident we'll meet our 2020 target.

Because so much of our expenditure is on labour, we can influence suppliers – and lead the way in building a fairer and more successful industry. In 2015, we asked construction supply chain partners to pay the Foundation Living Wage in their own supply chain. This year we started to check whether this is being achieved across our developments, starting with Westgate Oxford. Moving forward, we'll also include a formal commitment in every contract, requiring contractors to measure and report the percentage of direct and subcontracted employees paid the Living Wage.

### Modern slavery

The Modern Day Slavery Act came into force in 2015. We've taken steps to make sure our staff and supply chain partners are aware of the Act and adhere to it. Slavery, forced labour and human trafficking have no place in society, in our organisation or in our supply chain, and we take a zero tolerance approach to this.

In 2016 we issued our first Modern Slavery Act Statement, explaining how we're addressing the risk of slavery and human trafficking in our business. We then trained our teams and briefed our suppliers on how to spot the risks of modern slavery.

We also met suppliers through our Customer Improvement Groups to discuss ways to tackle slavery across our supply chain. As well as asking suppliers to go through pre-qualification clearance before working with us, we now reserve the right to carry out due diligence whenever necessary. We made it clear that we won't simply cut ties with suppliers who are struggling with this problem, as that doesn't solve anything. We'll help them find fair ways of working.

# £9.75/hr

The Foundation London Living Wage in 2017

# £8.45/hr

The UK Foundation Living Wage in 2017



  
 We are pleased to announce the accreditation of Landsec as a Living Wage employer. As a FTSE 100 company and the UK's largest commercial property company, their commitment to the Living Wage shows great leadership."

—  
**Katherine Chapman**  
 Director,  
 Living Wage Foundation

## 5. Diversity

Our commitment: Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix.

Getting greater diversity into the Company – including around gender, ethnicity, social mobility, disability and sexuality – is very important for us. It means we better reflect the character of our customers and communities and are more likely to understand their changing needs. It helps us avoid ‘group think’ in our decision-making as a result of too narrow a perspective. It fosters innovation and creativity, and enhances the way we consider and manage risk. And it’s also critical from a talent perspective, because a culture that’s not inclusive limits the pool of talent it draws from.

Ultimately, it’s key to our sustainability as a business.

Our overall objective is to achieve true diversity of thought within the Company through better representation by gender, community background, age and experience – at all levels, but particularly senior leadership. We want to create and express a truly inclusive culture too, so that anyone feels they can have a fulfilling career with us. We also want to address an industry-wide issue around the narrowness of the pool within which property companies seek fresh talent.

### Moving in the right direction

We already exceed the recent Hampton-Alexander recommendations for females at our Executive Committee and senior leader level (combined % of 33%) and female representation has increased by 1% overall. We’ve seen a 3% increase in employees identified as black, Asian or mixed ethnicity.

Employee responses to initiatives such as the Best Places to Work in Property survey indicate greater parity of feedback across all groups, which suggests we’re creating a more inclusive culture here. Feedback on specific initiatives, such as our female mentoring programme, has also been very positive. And we’ve spearheaded joint initiatives, such as new recruitment and search guidelines sent to recruitment partners by human resources directors from across the sector.

### Setting specific metrics

Overall, however, neither our industry nor we have been good enough at measuring the impact of our initiatives, as pointed out by the National Equality Standard assessment process which we took part in last year. So, while responses to our current diversity initiatives are positive, we need to respond to the National Equality Standard’s findings. That’s why this year we’ve set out these very specific metrics for the business, to be achieved by 2020:

- Ensure that Landsec continues to meet all the voluntary targets set by the Hampton-Alexander Review (33% of Executive Committee and direct reports are female) – ongoing timeline
- Improve female representation at Leader level to 30%
- Improve the Engagement scores for BAME colleagues – bringing them into line with employees overall
- Improve the transparency of our reporting of all diversity data, including the accurate measurement and tracking of engagement of other specific groups – including LGBT and disabled colleagues

We’re already doing good work on connecting with diverse groups of young people through our community employment, education and charity partnerships work. But there’s clearly more to do. The toughest challenge we face in this area is increasing ethnic diversity and creating a truly inclusive culture across the sector. This is a complex issue and we need to fully understand why some groups do not see property as an area of opportunity for them.



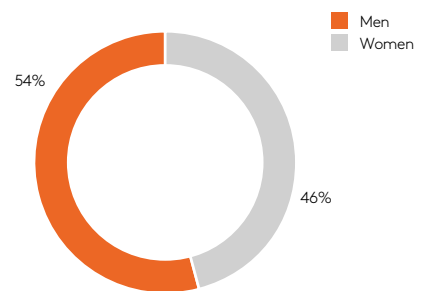
Diversity can make us a stronger business and this year we’ve taken big steps forward to improve how we recruit from a wider group and develop our diverse talent.”

**Diana Breeze**  
Group Human Resources Director



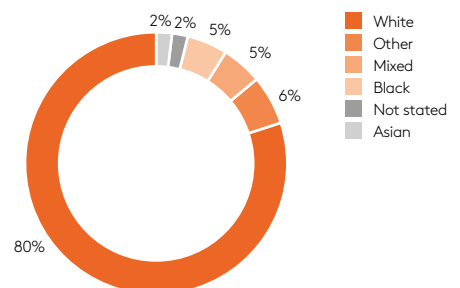
Gender profile

Chart 10



Ethnicity

Chart 11





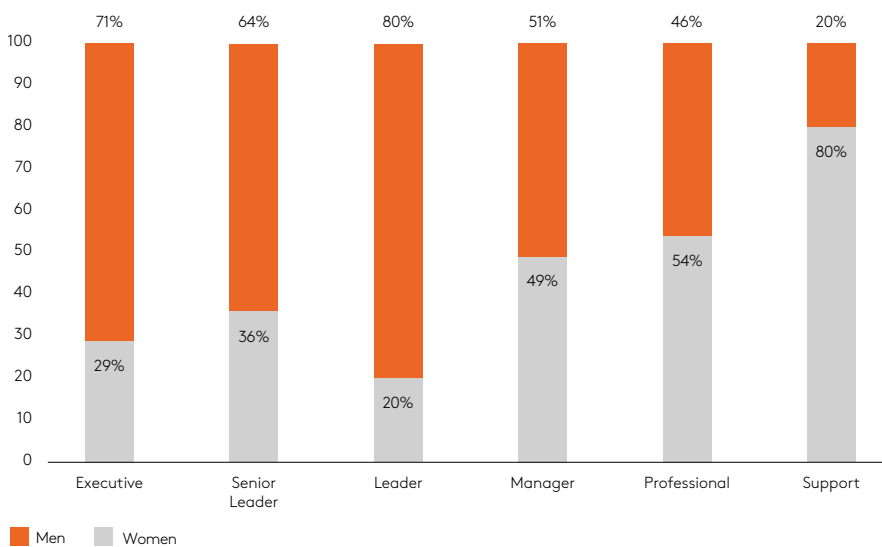
## Getting a better balance

Real Estate Balance (REB) is an association run by a group of female and male leaders from different organisations and disciplines in real estate who want to address the gender imbalance in our sector. We were founding supporters of the group when it set up last year. Our Group Human Resources Director, Diana Breeze, is on the group's Talent and Development Committee and our Chief Executive, Robert Noel, spoke at the launch event and has been part of the CEO forum. During the year we hosted a successful speed-mentoring event for REB in Victoria, which provided a fast and furious opportunity for mid-career females to meet, and follow up with, senior role models from across the sector.

Our Academy Trainees

### Gender by management level

Chart 12



## Celebrating with Pride

During the year a number of employees got together to initiate the first lesbian, gay, bisexual and transgender (LGBT) network within the Company. They were responding to our involvement at Pride in London, the biggest LGBT parade in the UK. Employees from Landsec joined the parade, and our advertising screens at Piccadilly Lights featured a special Pride takeover to celebrate the event.





## Supporting a new strategy

Working with other companies, the Minister of State for Disabled People, Health and Work, Penny Mordaunt MP, and with the HSE, we contributed to a new Strategy for Health in Britain's Workplaces. In line with our intention to elevate health to the same status as safety, the strategy focuses on reducing workplace stress, lung diseases and musculoskeletal disorders. It was launched in December 2016 at our Nova, SW1 building in Victoria in recognition of the role we played in shaping the strategy.



Landsec are continually seeking to raise standards through a collaborative approach with their supply chain and the broader industry stakeholders."

—  
**Andy Brown**  
 HSE Director, Mace

## 6. Health, safety and security

Our commitment: To maintain an exceptional standard of health, safety and security in all the working environments we control. Our priorities in health, safety and security are:

- **Health:** to make sure every worker has a transferable occupational health record, and to make sure all our maintenance and construction partners have a wellbeing policy
- **Safety:** to have zero reportable health and safety incidents
- **Security:** to raise awareness of physical and cyber security, in our own organisation and across our industry

Businesses know that accidents delay projects, damage reputations and make it hard to attract skilled people. But few understand the long-term impact of unhealthy practices like inhaling diesel fumes. Fewer still know that poor mental health costs employers billions every year.

By setting outstanding health and safety standards, providing the right environment for people to thrive, we can help build a healthier, happier and more productive workforce. And by introducing a new focus on security, we can help protect people, information and business value.

### Safety: working towards zero

This year, we continued sharing best practice through our 'One Best Way' guidelines and our Health and Safety pledge, which new starters and external customers signed up to. We also maintained our OHSAS 18001 certification, the benchmark for health and safety management systems.

We continued work on our Traffic Risks and Protection of Vulnerable Road Users policy. This protects people travelling near our sites by specifying things like safety guards and audible alerts on lorries. It also rates sites according to certain standards. In March 2017, all our London development sites reached the highest 'Gold' rating.

Despite our efforts, incidents reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDORs) increased this year.

We maintained  
**OHSAS  
 18001**

**16**

reportable RIDDORs.



Working in partnership with the National Counter Terrorism Security Office and other stakeholders from the commercial sector, Landsec demonstrate leadership, innovation and commitment in the security sector."



—  
**Michael Pearce**  
 National Counter  
 Terrorism Security Office



We believe this is because we have created a more transparent culture through our Customer Improvement Groups (see page 4), where our partners, employees, contractors and service partners can be open and honest about health and safety incidents. Better conversations achieve better results and relationships. It's also because we worked on several complex developments – including Nova, SW1, which had over 2,000 people on site at one time. But even when we're doing more work, we shouldn't accept this as a reason for any increase.

**Health: raising our profile**

Clive Johnson, our Group Head of Health, Safety and Security, continued to chair the Health in Construction Leadership Group (HCLG). HCLG aims to make sure health – including mental health – gets as much attention as safety in our industry, and has campaigned to raise awareness of workers' respiratory diseases. In January 2017, HCLG held its second summit, where over 300 construction leaders and influencers – including some 150 CEOs – discussed ill health in construction.

There, in conjunction with the HCLG and the British Safety Council, we launched Mates in Mind, a mental health programme. Specifically designed for the construction industry, it's a programme that shows people how to support colleagues with mental ill health. The latest research<sup>1</sup> shows that the construction industry is associated with very high risks of suicide. The risk of suicide among labourers whose jobs involve the most routine physical work, such as digging foundations, is 3.7 times above the national average. We will be supporting the Mates in Mind programme by requiring our contractors to sign up to a 45 minute training session for all employees, and half-day sessions for line managers.

**Security: setting new objectives**

We have set a new objective to train all our people in physical and cyber security. The training will help people with everything from protecting data when working remotely to staying safe during terrorist incidents. Members of our Executive Committee have already completed the training, so they're leading from the front in upskilling our team.

1. Office for National Statistics



As Chair of the Health in Construction Leadership Group, Clive's leadership, enthusiasm and commitment has been one of the major factors in raising awareness that the industry needs to do more in managing dangers to workers' health."

—  
**Ian Strudley**

HM Principal Inspector,  
Head of Health Unit,  
Construction Division, HSE

**Reportable fatalities and Accident Frequency Rate at our developments** Table 13

	2016/17 (hours worked)	2015/16 (hours worked)	2014/15 (hours worked)	Accident Frequency Rate <sup>2</sup> (per 100,000 hours worked)		
				2016/17	2015/16	2014/15
Developments	6,194,341	7,045,319	5,187,006	0.26	0.14	0.11
Fatalities	0	1	0			

2. Accident Frequency Rate (AFR) calculation = number of RIDDORs (non-fatal) x 100,000/average number of hours worked.



Health in Construction Summit

# Efficient use of natural resources

## Being more resourceful

We use a lot of natural resources in our work, from the energy needed to develop and manage assets to the materials required in construction.

When we buy, use, re-use and dispose of these resources efficiently we see big benefits. We minimise our impact on the environment. We reduce costs, both for us and for our customers and partners. And we give our assets and our business greater resilience in the face of climate change challenges, from scarce resources to new regulation.

We believe our work in this area can also give us a competitive advantage, by helping us develop enduring trust and good relationships with our customers, communities, partners and employees.

To use our natural resources efficiently, we plan, act and measure our impacts across four key areas: climate change and carbon, energy management, waste and water.

Landsec is showing great leadership within the global property industry, positioning itself to future-proof growth as the world transitions to a low-carbon economy."

**Pedro Faria**

Member of the Science Based Targets initiative steering committee, CDP

## 1. Climate change and carbon

Our commitments:  
Continue to procure 100% renewable electricity across our portfolio and achieve 3 MW of on-site renewable electricity capacity by 2030.

Reduce carbon intensity ( $\text{kgCO}_2/\text{m}^2$ ) by 40% by 2030 compared to a 2013/14 baseline for properties under our management for at least two years, with a longer-term ambition of an 80% reduction by 2050.

2016 saw the ratification of the Paris Agreement, committing countries to keep global warming below 2°C – the tipping point at which damage will be irreversible according to a consensus amongst climate scientists. 2016 was also the hottest year on record; a sign that it has never been more important to act on climate change.

A broad scientific consensus believes that human activity is accelerating climate change, largely through increases in carbon emissions. With the built environment accounting for 37% of all emissions in the UK, as the UK's largest listed commercial property company, we must lead the way in reducing emissions and supporting the Paris Agreement.

### Leadership on targets

Last year we set a science based target for reducing our emissions. Science based targets help companies determine how much they must cut emissions to prevent the worst impacts of climate change and stay in line with the Paris Agreement commitment. They're developed and assessed by the Science Based Targets initiative, a partnership between UN Global Impact, World Resources Institute, WWF (World Wide Fund for Nature) and CDP (formerly the Carbon Disclosure Project).

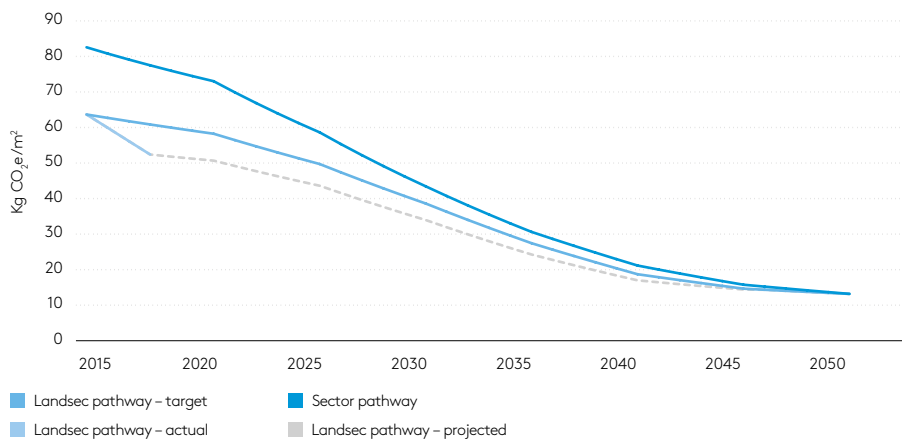
Our target is: to reduce our carbon intensity by 40% by 2030, compared with a 2013/14 baseline, for properties we've managed for at least two years, with a longer-term ambition of an 80% reduction by 2050. Carbon intensity is the amount of carbon dioxide emitted per square metre of floor space.

In December 2016, the Science Based Targets initiative approved our target, making us the first real estate company in the world to achieve this approval. We think this is an important step in terms of setting stretching carbon targets. We spoke about our approach at events throughout the year, including at built environment conference Ecobuild and at a UK Green Building Council masterclass, sharing best practice and encouraging others to follow our lead.



Landsec carbon emissions intensity pathway

Chart 14





### Staying on track

To date, we have reduced carbon intensity by 18.5% compared to our 2013/14 baseline, which puts us on track to achieving our initial target for 2030 and our long-term ambition for 2050. This is largely thanks to our active energy management programme, which is enabling us to reduce the energy we use to power our offices and shopping centres. We're also generating more of our own energy too, through renewable sources such as solar panels on our properties. You can read more about this on page 32.

Our carbon performance has been helped by reductions in the UK's average emission factor for electricity. In other words, producing electricity now generates fewer emissions than it used to. This is in part because businesses like ours are buying more renewable energy, driving up demand for sustainable energy producers and improving the UK energy mix.

That's why it's so important that this year we continued our commitment to buy 100% renewable electricity; and also extended our commitment to include a metric for on-site renewable generation. We have committed to increase on-site renewable electricity generation capacity to 3 MW by 2030 from the current amount of 0.6 MW. This will reduce costs for our customers, cut our carbon emissions and improve the resilience of our assets.

As of 1 April 2016, all the sites we manage are supplied by SmartestEnergy, the UK's first officially certified 100% renewable electricity producer. As we reported last year, we were the first property company to join RE100, a group of influential businesses committed to renewable energy. This year we also started to buy green gas – another way of promoting the low-carbon economy. See the highlight story for more.

### Getting to work on Scope 3

Although we're making good progress on reducing our own emissions, we need to remember that we influence emissions from our supply chain and customers. This year we worked with the Carbon Trust to scope out and report on the entire range of measurable carbon emissions associated with our business.

Emissions can be divided into three Scopes. Scope 1 and 2 emissions are those we directly control. These are produced when we use energy to heat and power our head office or the landlord-controlled spaces within our properties.

For the first time, we've looked closely at Scope 3 emissions: those indirectly associated with our business. Scope 3 includes the 'embodied carbon' emissions produced by construction companies and other suppliers when they work with us to develop a property, such as emissions from transporting and manufacturing building materials. Scope 3 also includes the emissions produced by suppliers helping us run a property, or customers using energy in their own areas within our properties.

We found that 5% of our Scope 3 emissions are recorded when we report against our targets, in situations where we buy energy on behalf of our customers. But that means 95%, the vast majority, are not. And since our work with the Carbon Trust has established that Scope 3 emissions make up 91% of our total emissions, we need to address this.

So, while continuing our work in reducing Scope 1 and 2 emissions, we've set two stretching targets related to Scope 3:

- Encourage all main contractors to set science based targets and to help us reduce carbon emissions when we're developing a property together
- Work with the customers who occupy our buildings to help them reduce the energy they use and partner with us to create lower-carbon floor space



### Taking the lead with green gas

Green gas is a low-carbon substitute for mined or fracked gas. To create it, organic matter such as food or garden waste is put in an air-tight tank. Bacteria then break down the matter, releasing a methane rich biogas.

This year, green gas made up 15% of our gas purchases. This means, as a proportion of our total gas use, we're one of the top green gas consumers in the FTSE 100. And thanks to our scale and the amount we buy, we can drive demand, boost the renewables industry, and increase the proportion of green gas in the UK's energy mix. This makes the whole industry greener – and in turn helps us hit our carbon targets.

What's more, much of our green gas is sourced from our water suppliers and derived from their sewage treatment facilities. So the cleaning of our wastewater actually helps to produce the fuel we use to heat our buildings – a real closed loop story.



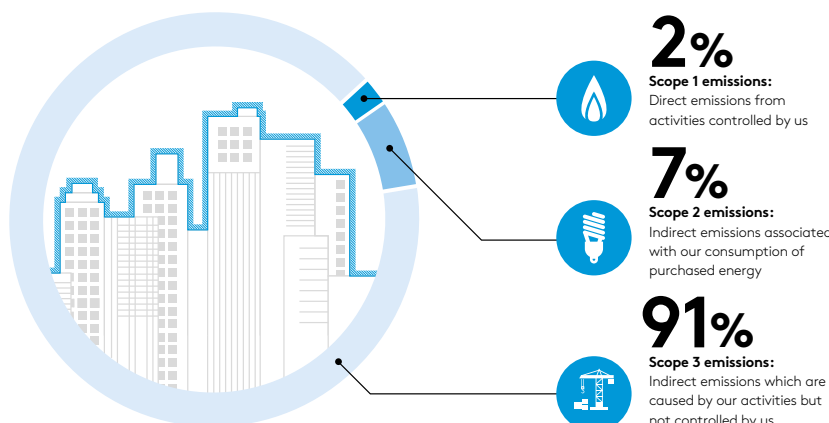
Landsec is showing its pioneering leadership by supporting the UK's growing biomethane-to-grid industry."

**Virginia Graham**

Chief Executive of Renewable Energy Assurance Ltd and the Green Gas Certification Scheme

Our carbon emissions – Scopes 1, 2 and 3

Diagram 15



## Boosting on-site generation

We are committed to increasing the amount of renewable electricity generated on our sites and pioneering low carbon technologies to improve the efficiency of our assets.

We're seeing more on-site renewable generation come to life as new developments and refurbishments such as 20 Eastbourne Terrace, W2, open and the technologies we specified at design stage are switched on. Our on-site capacity is ever increasing and currently amounts of 0.6 MW of electricity with 323 MWh being generated in 2016/17.

We are reviewing opportunities to retrofit technologies onto existing assets and we are in the process of installing solar panels at our White Rose and Trinity shopping centres in Leeds. These installations will more than double our current capacity to 1.4 MW with White Rose contributing 0.8 MW of this. When up and running, the panels will generate 830 MWh of electricity per year with solar power directly contributing 20% of White Rose's landlord electricity demand.



We continue to champion low carbon technologies such as heat pumps and combined heat and power (CHP). The ground-source heat pumps at One New Change, EC4, continue to provide low-cost and low-carbon heat for our customers and we are utilising air-source heat pumps within our Westgate Oxford development.

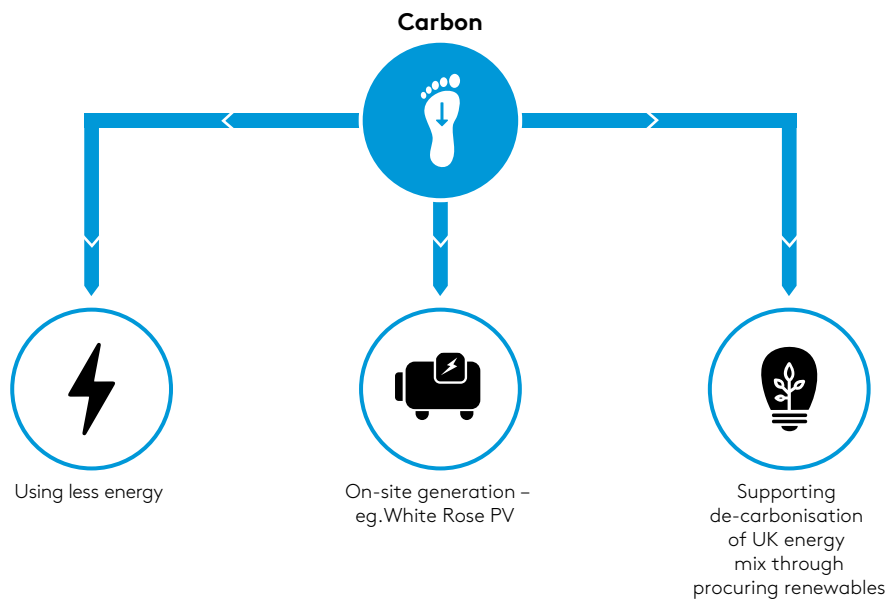
CHP provides low-carbon heat and electricity within our recent developments and is successfully in operation at Zig Zag, SW1, 60 Ludgate Hill, EC4, and Mizuho House, EC4. At 20 Fenchurch Street, EC3, the Fuel Cell has delivered 1,139 MWh of electricity for the building, providing low-carbon power for our customers.



Solar louvres at 20 Eastbourne Terrace, W2

## Our carbon reduction approach

Diagram 16





We're the first property company to have its science based emissions target approved, which underlines that we're serious about cutting emissions."

—  
**Caroline Hill**  
Head of Sustainability

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### Reducing our footprint

GeoPhy, a technology company expert at examining real estate data, recently ranked us in the top three Real Estate Investment Trusts across EMEA in terms of carbon efficiency. This is measured by the amount of CO<sub>2</sub> we emit per dollar we take in rent. It shows that the buildings in our portfolio are well managed and efficient as well as profitable.

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### Becoming resilient

As well as working to tackle climate change, we need to understand the risks it poses to our business – and find ways to mitigate them. We've started a new project to do this, to make our business more resilient. Read more on page 42.

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### Investing responsibly

We've worked hard to improve the way we develop and manage our portfolio to reduce environmental impact. But if we acquire assets with a poor energy performance it will impact on our ability to reach the targets we have set. This year we published a new Responsible Property Investment Policy. It sets out how we will now factor in a much wider set of sustainability performance considerations when assessing potential acquisitions (see page 11 for more on the policy). It's an example of how we're looking at sustainability across the entire lifecycle of our assets and our core activities – buy, develop, manage, sell.



The progress Landsec has made over the past two years is commendable. They are one of the most engaged landlords M&S works with on sustainability and this is evident in their achievement of becoming the first real estate company globally to set a science based target."

—  
**Lydia Hopton**  
Plan A Project Manager,  
Marks & Spencer

## 2. Energy management

Our commitment:  
Reduce energy intensity (kWh/m<sup>2</sup>) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years

There are lots of reasons why using energy more efficiently is important to our business. It helps us reduce carbon intensity, keeping us on track to hit our targets. It keeps costs down, for us and for our customers. Renewable energy makes us less dependent on fossil fuels, while on-site electricity generation means we don't have to rely so heavily on the National Grid.

Efficient use of energy is also important to us because it's important to our stakeholders. In our most recent materiality review (see page 5 for details), energy reduction was highlighted as a priority. By setting and achieving targets in this area, we show people that we're listening to their concerns and taking action.

Just as we use carbon intensity to measure our carbon emissions, so we use 'energy intensity' as a measure to track our energy performance. This is the amount of energy used per square metre. We also set the same target – a 40% reduction by 2030. This stretching target underlines that energy management has an important role to play in our journey to a low-carbon world.

### An overview

Last year, we reported on our new, Company-wide Environmental and Energy Management System, where we achieved ISO 50001 certification alongside our existing ISO 14001. In April 2017, we successfully transitioned to the new 2015 version of ISO 14001, well ahead of requirements. Both are important and we're proud to have an integrated management system. ISO 14001 is an environmental management system that checks we're compliant in things like handling hazardous substances and waste management. ISO 50001 is an energy management system that keeps us in line with the government's Energy Savings Opportunity Scheme (ESOS), by ensuring that we're always improving our performance and reducing energy consumption where we can.

We built on this work over the past 12 months. Highlights included:

#### – Becoming the first property company to sign up to EP100

EP100 is a campaign by The Climate Group challenging businesses to double their energy productivity within 25 years. We measure our energy productivity by floor space, just like our energy intensity – so, reducing energy usage per square metre leads to a reduction in energy intensity and an increase in energy productivity. This means our target to reduce energy intensity by 40% by 2030 puts us on track to doubling our productivity within the required timescales.

#### – Finding more ways to use energy more efficiently in our individual properties

You can read more about these below.

#### – Setting and hitting a new Group KPI to create energy reduction plans for each of our sites

For the first time, we set a Group KPI for energy. It required us to make energy reduction plans for each of our properties and approve a certain amount of energy reduction measures at those consuming most energy.

All this activity is united within our active energy management programme: our integrated way of reducing energy use and impacts across our business.

### A strong performance

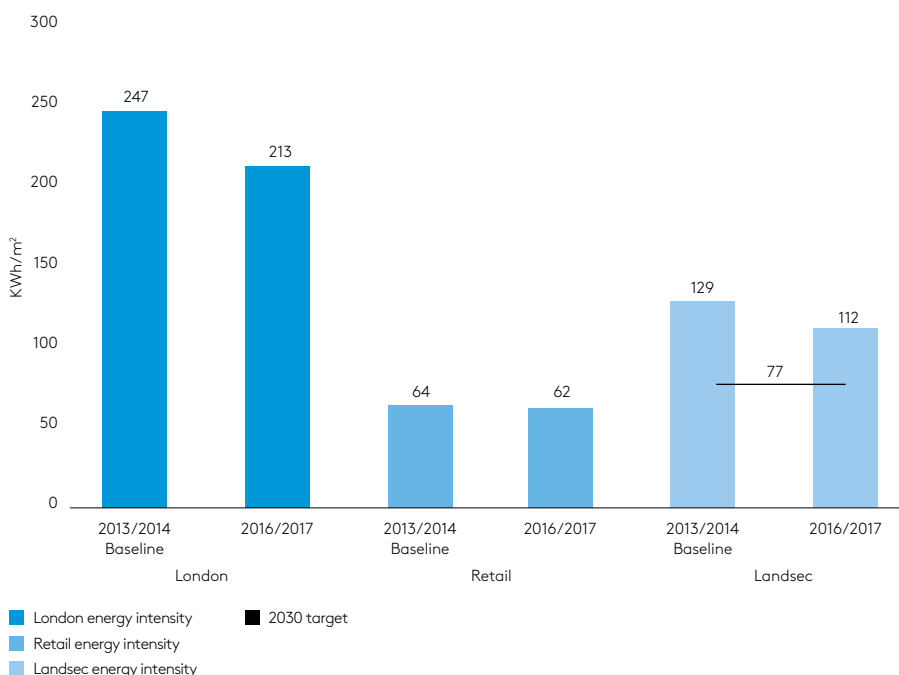
Since our 2014 baseline, we have reduced our energy intensity by 13.2%. This is equivalent to a carbon reduction of 18,589 tonnes of CO<sub>2</sub> and meant that our customers reduced costs of £2.9m on their annual energy bills.

The results vary across the different parts of our business. In London, we focused on optimising our existing assets, and fine-tuning the low carbon technologies on our new developments. As a result, energy intensity fell by 14%. Meanwhile, in our Retail business, energy intensity decreased by 3%. Several of our Retail properties made big improvements – the Galleria, Gunwharf Quays and Bluewater shopping centres, for instance. We'll use what we've learned at these properties, particularly in lighting, to improve energy performance across our wider Retail business.



Landsec energy intensity

Chart 17



We are pleased that Landsec is demonstrating bold and ambitious leadership by joining EP100 and committing to double energy productivity."

**Damian Ryan**  
Acting Chief Executive,  
The Climate Group

**Some highlights**

At our 140 Aldersgate London office building in London, we looked at what our customers needed in terms of heating and cooling. Then we carried out a range of fine-tuning and optimisation measures on central plant such as boilers. The property now uses 270,621 kWh less energy, saving customers £12,763 annually.

At our multi-storey car park at Brighton Marina, we replaced the existing lamps with LEDs. As well as reducing energy demand and cutting maintenance costs, this has increased light levels by 400% – making the space brighter and safer for customers. The upgrades will save over £12,500 a year.

At our White Rose shopping centre in Leeds, we replaced the heaters over the entrances with new, efficient, air-barrier technology. As well as having lower running costs, this technology produces warmer internal temperatures, creating a more pleasant experience for our customers and guests. The project stands to save £3,500 a year for just one entrance. We installed similar technologies at our Bluewater and Buchanan Galleries centres, and are now looking at other opportunities across the portfolio.

**Hitting our target**

We didn't just hit our new KPI target; we exceeded it. We created an energy reduction plan for each property to show

how it's using energy and what energy reduction measures we could implement. Across 23 of our 25 largest-consuming properties we've approved several of these measures.

To look in more detail: across our portfolio we identified 141 energy reduction measures. Together, these have the potential to reduce energy consumption by 13,115,090 kWh and save our customers £1.4m in energy bills per year. 64 of these measures are approved for implementation – we believe they will reduce energy by 7,724,446 kWh and cut customers' bills by almost £900,000 a year.

These 64 approved measures cover approximately 60% of the total energy reduction we think we can achieve, and would reduce our energy intensity by 4%. The remaining 77 measures are still to be approved. We believe they could reduce energy intensity further still, by an additional 3%.

Looking at a 'best case' scenario in which the remaining 77 measures are taken forward, and considering the reduction in energy intensity we've achieved so far, our projections show we're on track to meet our 2030 target. This is testament to a great collaboration between our sustainability, technical, operations, and portfolio management teams as well as our service partners. Next year will be all about delivering these measures at each of our properties.



**A powerful partnership**

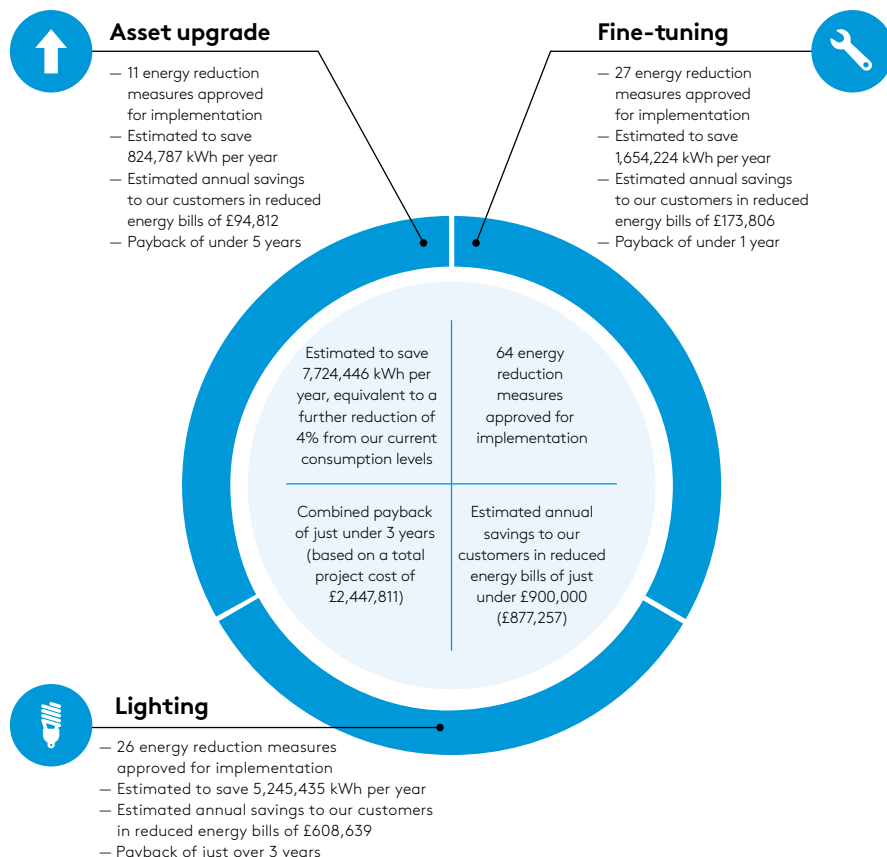
Last year we reported on our trial partnership with our engineering partner NG Bailey, which was designed to improve energy performance at our six highest-consuming London properties. To date, our partnership has saved 10% in energy compared with our baseline, and has reduced customers' energy costs by £880,696. The initiative was named The Most Inspiring Energy Reduction Project of the Year at the 2016 Energy Managers Association Energy Management Awards.

This year we expanded the partnership to other London properties and produced savings of £63,820. Through the partnership, we gather detailed data about energy use at our properties, enabling NG Bailey to operate those properties more efficiently. For example, together we looked at times when people were actually using the lighting in the properties, compared with when it was on and consuming electricity – then we made controls adjustments, which at one property, will save occupiers over £2,000 annually in electricity costs for common areas.

Having successfully proved this innovative concept through our trials, we now use a unique contract structure across the portfolio. NG Bailey combine facilities management with energy performance in one contract. So, as part of their planned operations, their team can deliver energy efficient upgrades, ensuring our buildings are operating correctly and keeping our customers happy. This is our vision for all future building services.

**Energy reduction**

Diagram 18





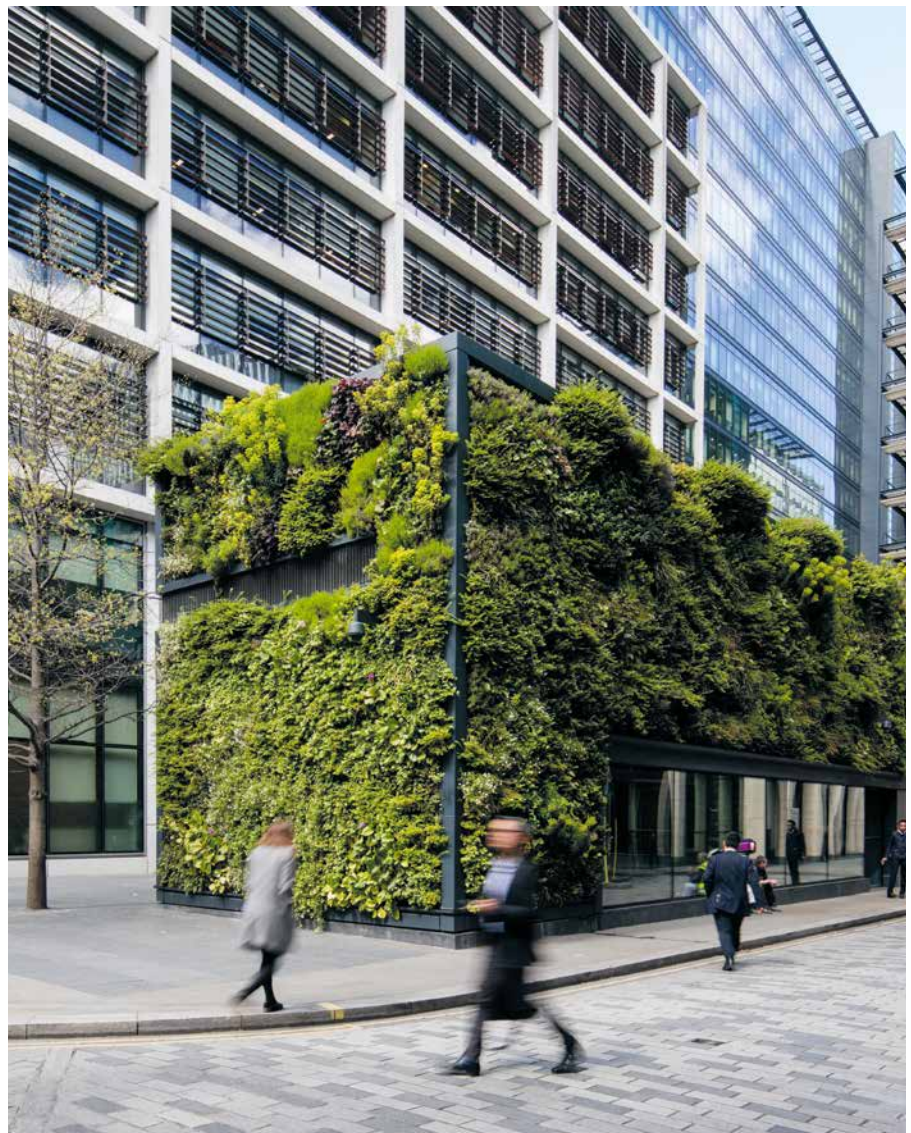
## Connecting with customers

We're working closely with our customers to help them use less energy in our properties. For example, at The Galleria outlet centre in Hatfield we analysed retailers' historic and current energy use. We sent out their results and are now following up to discuss how we can help reduce their usage and costs. In one unit at The Galleria we've already worked with the customer to upgrade their lighting to more efficient LEDs. The new fittings make the shop brighter and will save them £750 per year.

In London, we introduced some helpful improvement measures at 20 Fenchurch Street, EC3, such as creating regular reports for occupiers and offering one-to-one meetings to talk about energy use. We also spoke to occupiers at One New Change, EC4, and 123 Victoria Street, SW1, about our move to a 100% renewable electricity contract, giving them the inspiration and information they need to consider a similar move.

## A lightbulb moment

80% of the projected energy savings in our retail business will come from lighting upgrades. There's a double benefit – as well as reducing energy usage and carbon emissions, great lighting can enhance our customers' experience. We're now planning to install new lighting across many of our shopping and leisure centres. This includes the Xscape Milton Keynes leisure centre, where we'll upgrade all lighting to LEDs. This will not only give the centre a bright new look, it will save customers over 600,000 kWh per year and pay for itself in three years.



New Street Square, EC4

Judges were impressed by the ability of Landsec and NG Bailey to work in partnership across a broad estate that included people from different teams."

—  
**Lord Redesdale**

CEO of the Energy Managers Association and judge of the EMA Most Inspiring Energy Reduction Project Award 2016

We were delighted to award Landsec the Chairman's Cup for New Street Square this year. Their partnership approach and continued engagement with occupiers has led to some remarkable results."

—  
**Ryan Clark**

Recycling and Clean City Awards Officer, City of London

### 3. Waste management

Our commitment:  
Send zero waste to landfill with at least 75% recycled across all our operational and construction activities by 2020

When companies fail to manage waste well, there's a huge impact on our planet. The Ellen MacArthur Foundation predicts that by 2050 there will be more plastic in the sea than fish. Of course, waste also costs money. Using up resources on waste collection, throwing things away that could be reused or recycled – it's bad for business.

The UK construction sector produces 109 million tonnes of waste per year. Our own development projects produced around 7,571 tonnes of waste last year, while our operational teams managed 34,934 tonnes. So, we have a responsibility to help partners and customers manage waste effectively. Across our operational portfolio we have recycled 70.8% of waste and diverted 99.9% from landfill. This is an improvement on our previous year's performance of 70.3% recycled and 99.3% diverted from landfill.

By working together, we can move to a circular economy: where we buy and use products and materials, then put them back into circulation by re-using

or recycling them instead of sending them to landfill or incineration. The World Economic Forum believes the circular economy could significantly enhance global construction industry productivity and save more than \$100 billion a year. Last year our waste targets were:

- In London, to increase the recycling rates to 75% and continue to send zero waste to landfill
- In Retail, to reduce – and aim to eliminate – waste sent to landfill, except where we have no other option (for example, in getting rid of asbestos or Japanese knotweed) and to increase the recycling rate across our leisure assets to 75%
- In developments, to divert all construction waste from landfill and send 75% for recycling
- In our head office, to reduce waste by 10%, including reducing paper waste by 50% from a 2015/16 baseline.

#### Seeing success in London

In our London business, we sent over 77% of our used materials for recycling and continued to divert 100% of waste from landfill. That puts us ahead of our target, and is an improvement on last year's recycling rate of 74%.

We achieved this by continuing our work with Bywaters, our lead waste services provider, to help customers better separate different types of waste on site. We supported occupiers by offering to audit their activities and premises, giving their cleaning teams

face-to-face training, using multiple languages on our signage and installing more colour-coded bins. We also installed weighing machines and shredders at some properties.

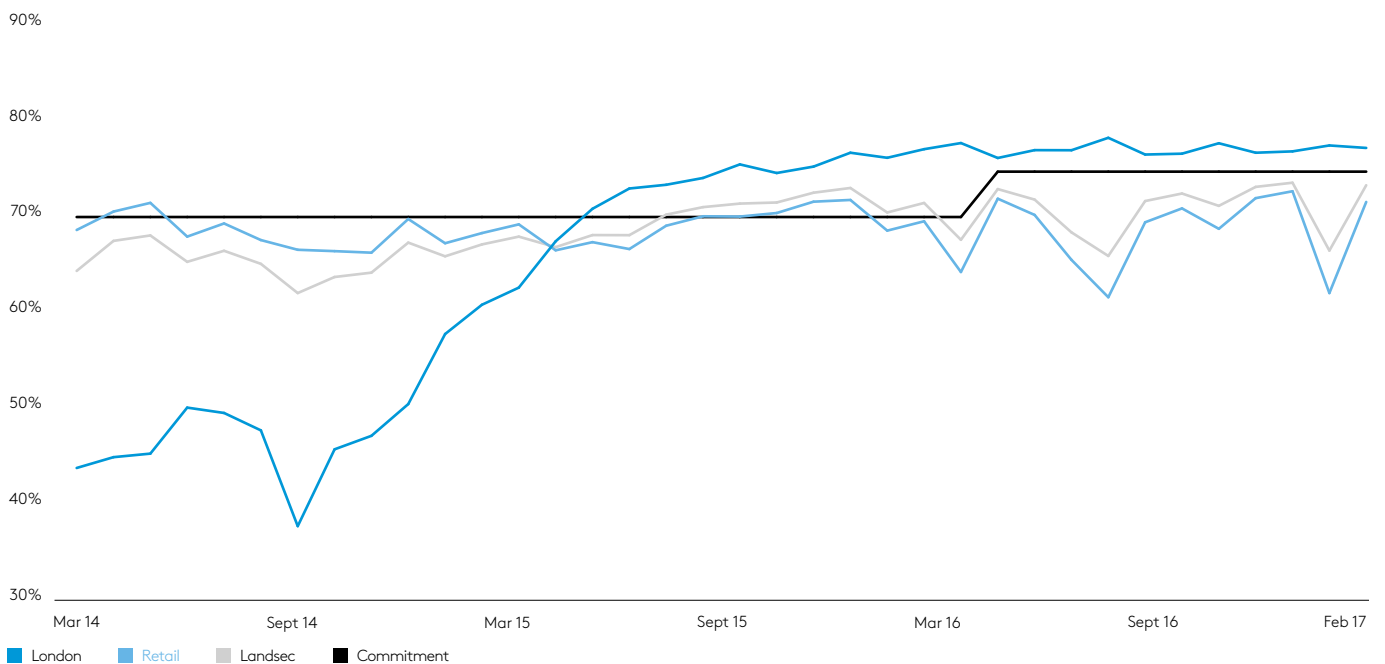
The work in our London business was shortlisted for the Materials Recycling World (MRW) National Recycling Awards, in the Team of the Year category. Our teams were also winners in the City of London Clean City Awards (see our highlight story).

#### Increasing data accuracy in retail

In Retail, we sent 68.4% of used materials for recycling – a slight decrease on our previous year's performance of 69.3%. This is due to improved accuracy of data, retendering several waste contracts, and amalgamating some of these to increase efficiency and give customers better value. We also diverted 99.9% of waste from landfill, up from 99.0% the previous year. This year we sent 36.7 tonnes of waste to landfill – 0.1% of total operational waste. We have now stopped sending waste to landfill at all our properties bar one – we're planning to retender the waste contract for that property this year. Although our final result will be affected by any acquisitions we make, we believe we're on track to report zero waste to landfill next year, putting us ahead of our 2020 target.

Landsec monthly portfolio recycling rates 2014–2017

Chart 19



Efficient use of natural resources

Beneath the headlines, the picture across our Retail business is quite complex. This is because we play a different role across different types of property. For example, we don't manage waste at some leisure and retail parks, such as Boldon Leisure Park. But we do manage waste at shopping centres, and at leisure centres like Xscape Milton Keynes. Also, the properties vary dramatically. Combined, our Trinity Leeds and Bluewater shopping centres produced as much waste as our entire London portfolio – not because they're inefficient, but because these are such large, busy sites. Recycling rates on average are lower in our Retail portfolio due to the complexities of these sites and different make up of customers.

### Setting a new target for developments

This year we sent 124 tonnes of waste to landfill – less than 2% of construction waste – and exceeded our 75% recycling target. As well as making sure we manage waste well, we want to limit the amount of waste we produce in the first place. So we expanded the scope of our waste commitment to look at the volume of construction waste produced on our sites. Our updated commitment is: to send zero waste to landfill with at least 75% recycled across all our activities, and reduce construction waste to <6.5t/100m<sup>2</sup>.

We also committed to a new metric that will encourage contractors and design teams to send any waste materials that can be recycled back to their original source. This new metric is: to measure and report the percentage of waste materials removed from site by the original manufacturer. We now plan to measure this on new developments, so we can set a new target for the future.

### Recycling at head office

Table 20

Year	Recycling percentage	Divert from landfill percentage	Total volume (tonnes)
2013/14	66.9%	100%	75.5
2014/15	83.4%	100%	100.9
2015/16	86.5%	100%	127.5
2016/17	86.1%	100%	131.6

### Waste in developments

Table 21

	Tonnes	Percentage
Total construction waste	7,571.32	–
Total construction waste diverted from landfill	4.97	98.37%
Total construction waste to landfill	123.48	1.63%
Total construction waste recycled	7,442.88	98.30%

### Making changes at head office

This year we finished refurbishing our new head office building at 80-100 Victoria Street, SW1 and moved in. Because of this, we disposed of more operational waste as a company than we did last year. Some of this waste was non-recyclable, which is why our percentage of recycled waste dropped slightly. As part of our head office move, we have set ourselves challenging new goals to reduce waste, especially paper consumption. All employees have been issued with tablets to enable flexible working and discourage printing. In our first month of having this new technology across the Company, we've reduced our monthly average printing volumes by 46%. We hope to see a continued reduction and have set ourselves a paper reduction target of 50% by 2020. Turn to page 14 for more about our new head office building.

### Creating a circular economy

During the year, we carried out a project to understand how we might implement circular economy principles in our business. We started by reviewing our waste management practices. After a series of workshops and site visits, we agreed three areas of focus:

- Making sure waste management services focus on customer needs. For instance, we need to check that our facilities are accessible, and that our communications with customers are clear and consistent
- Encouraging our peers to standardise practices and metrics. This will help businesses across our industry learn from one another, and it will help establish our position as a leader in this area
- Plan to make our business more resilient, particularly in terms of evolving customer needs, the cost of materials and market changes

Although this initial work focuses on waste management, we want to develop a comprehensive circular economy strategy that encompasses other areas such as energy. This strategy would include buying circular services in areas like lighting and heating, ventilation and air conditioning, helping us tackle energy costs and create more value for customers.

## Success at the Clean City Awards

New Street Square, EC4, features more than 26,600 square feet of office space, along with over 5,000 square feet of retail. We manage all the non-hazardous waste produced there, including mixed recycling, general waste, food waste and glass. We send the general waste to be incinerated, and the food waste for anaerobic digestion so that it can produce green gas. Nothing gets sent to landfill.

Last year we hired a full-time waste operative at the property. This person can train customers' staff and cleaning teams to help them use our waste management facilities properly. We included a weighing machine in the loading bay, which means customers can measure and monitor their own waste. And we recently installed a shredding facility. Working with Bywaters, our waste services provider, and with customers, we undertook a waste audit to show where we can all become more efficient. All this has helped us increase recycling rates by 7% in less than eight months.

Our work was recognised at the City of London Clean City Awards. The New Street Square team won the Premier Award in the Facilities Management category, and took home the Chairman's Cup.

## Evaluating 20 Fenchurch Street, EC3

Having completed a number of developments in our last development cycle, this year we started the first in a series of post-occupancy evaluations. We began with 20 Fenchurch Street, EC3. We worked alongside our partners, Canary Wharf Group, and with the property's original engineer Hilson Moran, over a nine-month period to complete the evaluation. We collected customer surveys and other data, carried out a post-construction review, and reviewed a full year of energy and water-use performance against our initial expectations. Gathering feedback from building users and the building management team in this way will help us to create designs for the future that are even more efficient, appealing and successful.



**Being tax efficient**

By helping customers to recycle more and send less waste to landfill, we help avoid significant amounts of landfill tax. This year we partnered with responsible waste service providers to divert 34,897 tonnes of waste from landfill, avoiding £2.9 million in landfill tax. Across our business, over the past three years, we've avoided over £8.5 million in landfill tax.

**Exploring waste intensity**

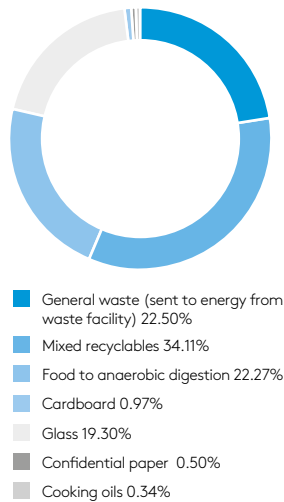
We've been working to decide how to calculate the 'waste intensity' for our properties. This will allow us to compare waste management across our properties more easily, and help us make better decisions about how to improve.

However, waste intensity isn't as simple as looking at the amount of waste produced per square metre. There are lots of other factors to consider. For instance, in shopping centres we need to think about the footfall across the space, the activities happening inside, the location of the centre and its opening hours. We'll continue this work over the next 12 months to find a meaningful measurement that will help us hit our targets.

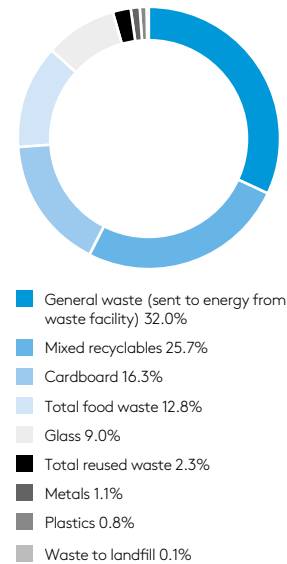
This year we are disclosing for the first time the composition of our waste in both our London and Retail portfolios (see Charts 22 and 23). For Retail, there are more types of waste to manage due to the varied nature of our Retail operations and there is a large proportion of cardboard due to the packaging requirements of our retailers' goods. Dissecting data in this way and understanding how and where waste is

generated will help us to target specific waste streams so we can continue to adopt a circular approach to managing its disposal. Whilst managing waste is the easy bit, the real challenge comes with trying to generate less in the first instance. How we engage and work with our occupiers to achieve this will be integral to our waste strategy for a circular economy.

**London portfolio 2016-17 waste stream breakdown** Chart 22



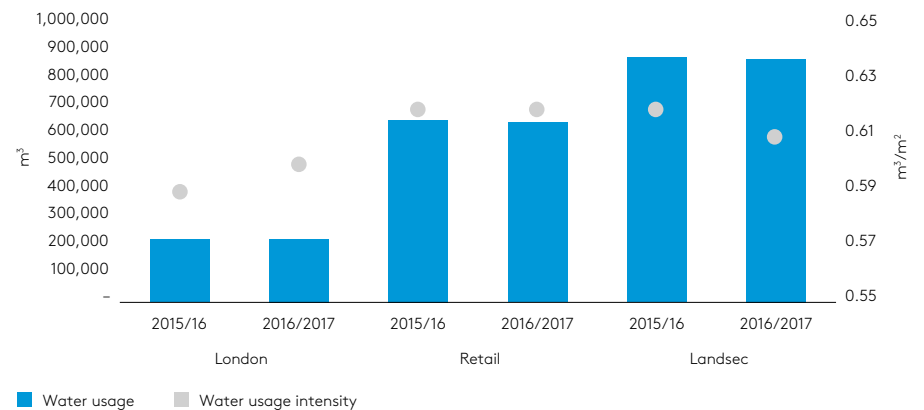
**Retail portfolio 2016-17 waste stream breakdown** Chart 23



**4. Water**

We want to use water as efficiently as possible across our portfolio. Compared to last year we have reduced our water consumption intensity by 1% (water consumed per metre squared). Whilst these reductions are modest, they should be considered in the context of increased customer footfall in our Retail portfolio. At design, we can make most impact on water usage on our developments, by including the right features in the right places. To help us to do this, we work to BREEAM and SKA, which are respected industry standards. This usually means installing low-flow equipment in communal areas – in particular, rainwater harvesting systems for flushing toilets. We included this kind of system in our plans for a Sumner Street office development in Southwark, which we've just submitted for approval.

**Landsec water usage** Chart 24



Efficient use of natural resources

# Sustainable design and innovation

## Building the future

The way we design buildings has a huge impact on how people use them. Great design increases efficiency and encourages people to spend time in our spaces. This is good for our customers, communities and partners – and therefore good for us. The right design also allows buildings to be flexible across their lifespan, enabling them to adapt to changing customer needs. With the built environment generating 37% of the UK's total carbon emissions, smart design can make our buildings greener too – reducing our impact, reducing future risk, improving our reputation and inspiring the wider industry.

However, designing developments is a complex challenge. It means second-guessing what will be in demand when the property is completed in five or six years' time. And it means designing a building today that will still be efficient, flexible and desirable for decades to come.

This is why innovation in design is critical – not just in the blueprints we create, but how we design the entire lifecycle of an asset. Using truly sustainable and innovative design means our developments can be fit for the future from the moment they open their doors.

Our work in this area is focused on climate resilience, embodied carbon, biodiversity and wellbeing.

## 1. Our approach

Our focus for the last ten years has been on building strong foundations: achieving energy and water efficiency, green building certification and low carbon emissions. We're proud to have delivered this in recent projects. For example, our recent Zig Zag Building, SW1, 20 Fenchurch Street, EC3 and New Ludgate, EC4 developments in London are all buildings that will stand the test of time.

However, there are new challenges. Climate change is affecting the way buildings and businesses operate. Cities are rapidly losing green space. As these factors converge, we need to up our game. Which is why we've been exploring how we can make our developments even better.

### Assessing the way we work

We started by working with people inside and outside the business. We asked them: how do we currently achieve sustainability in new developments? And how can we do better?

We heard lots of positive things. For instance, people praised our soft landings process: our smooth handovers between teams, from construction to handover to operations. These help us to avoid situations where, for instance, an architect designs something that an operations team ends up reworking – situations that waste time, resources and money. Our success here is mainly because of the way we work across the whole property cycle, managing buildings from the point they're built or acquired to the time they're open and operational. This joined-up working is a key strength.

As our cities and infrastructure continue to grow we'll need to think more about how our buildings connect with transport. Developing close to infrastructure can be challenging, but enabling people to travel to and from our buildings easily is important for success. Our developments at Nova, SW1 and 21 Moorfields, EC2 show how working closely with our cities can lead to better connections and more sustainable transport options.

We also learned that our base building design standards are usually high enough to meet WELL certification, which recognises healthy buildings where happiness, mindfulness and productivity can thrive. But we also found areas where we need to improve. For instance, we learned that the carbon emissions created in our developments (Scope 3 emissions) make up a huge part of our total carbon footprint and we need to focus more of our attention in this area. We're working on this now, as we explain on page 31.

### New metrics, new brief

Following our assessment, we set new metrics to help us make all our developments more sustainable. These are outlined on page 53. The biggest change to our existing approach is that we're extending our focus, from the point we create a design brief to when the building is occupied. So we need to use our Sustainable Development Brief in the right way, making sure we have the right conversations at the right times. This is the best way to ensure designers and contractors buy into our approach early and our operations teams continue to experience successful soft landings.

We'll launch our new Sustainable Development Brief later this year. The brief will outline our new metrics, and will make sure everyone involved in a development knows what we expect and how we'll measure success.

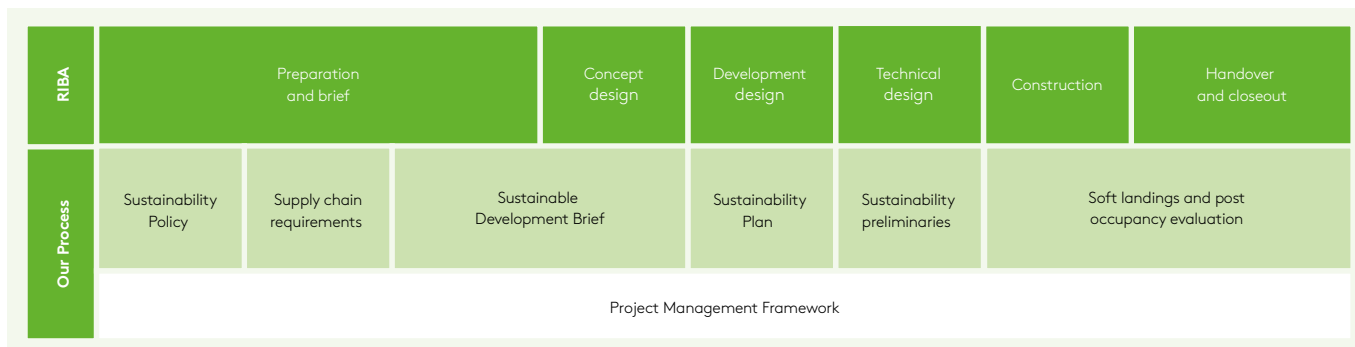
Of course, our sustainability metrics will still include things like BREEAM (see below) and FSC Project Certification. But these will be 'business as usual'. Our new metrics and new brief will enable us to push the boundaries.

### Owning the sustainability plan

A part of our enhanced approach to development, we're asking our Development Directors to own a Sustainability Plan for each development they oversee. This means the whole sustainability process will be clearly accountable, strengthening our governance. As well as outlining the same metrics as in our new Sustainable Development Brief, the plans will include information about BREEAM requirements

## Our sustainable development process

Diagram 25



## Our BREEAM rated space

Table 26

	Feb-16	Feb-17
Total common and tenanted space (m <sup>2</sup> )	2,681,066	3,021,432
Total space with BREEAM rating (m <sup>2</sup> )	583,919	996,585
Percentage of total which is BREEAM rated	22%	33%

## BREEAM rating

Table 27

	Area m <sup>2</sup>	% of our total space
Outstanding	4,864	0.2%
Excellent	534,490	17.7%
Very Good	218,959	7.2%
Good/Pass	238,272	7.9%

and planning conditions. In short, the plans will bring all of our objectives together in one place. This approach has already proved successful on our Westgate development in Oxford, where we're currently tracking progress against 45 objectives set at the outset of the project.

### Increasing our BREEAM space

BREEAM, a well-established assessment method and ratings system for buildings, continues to be a valuable indicator of quality and sustainability. It looks at a building's performance and rates it on a scale which includes Pass, Good, Very Good, Excellent or Outstanding. BREEAM originally covered just the basic elements, like waste and energy efficiency. But it has evolved to become much more comprehensive, looking at everything from how contractors manage a site to the way resources are bought. We're pleased to report that the percentage of BREEAM-rated space across our portfolio increased from 22% to 33% this year. All of our new developments were rated BREEAM Very Good or Excellent.

Given that 33% of our space is BREEAM-rated, you might wonder about the other 67%. Although we have been using the BREEAM Certification process since it was first published in 1990, many of the buildings we have certified have been sold and are no longer in our portfolio. BREEAM was conceived as a voluntary environmental rating scheme which developers used to benchmark their buildings. It has only become widely used in the past five to ten years – so only a relatively small, but growing, proportion of properties in the UK are BREEAM-rated. Often we buy older assets that are not BREEAM-rated with the intention of redeveloping and improving them in the future.

We're also starting to undertake LEED assessments in our London portfolio where this is preferred by our customers. LEED is a comparable standard to BREEAM and is popular in the USA and Europe. This adds to our

experience of working with different sustainability standards which include BREEAM, SKA, WELL and LEED.

### Joining the innovation lab

To explore new and effective ways of working, we've joined the UK Green Business Council's Innovation Lab. And now, alongside Canary Wharf Group, Carillion and M&S, we're leading a consortium of UKGBC members to develop new ways to innovate within our industry.

The plan is to identify and work on a breakthrough challenge. This will be a nine-month project, and it will aim to solve systemic issues in the built environment. For instance, we might look for ways to adapt the development process to stop companies 'locking in' certain design features too soon and missing the opportunity to include new technologies. We'll definitely think about key industry issues such as climate change resilience and shifting demographics. This is an opportunity to broaden our thinking, to learn how to innovate within our own business. It's also a chance to reshape the way our industry thinks about design and development.

### Our sustainable development process

Our sustainability process matches the RIBA (Royal Institute of British Architects) stages – a series of steps commonly used in design and development.

We start with a policy that lays out our approach and gets the right partners on board. We then use our Sustainable Development Brief to clearly convey our commitments and metrics. As the design develops we draw together a Sustainability Plan, and make sure that business-as-usual is covered through our preliminaries. Finally, before construction finishes, we start planning the soft landings process – the handover from one team to another – and evaluate the building as soon as it's complete. Our Project Management Framework describes this whole process and enables our employees to know what's expected when.

## Refreshing ideas at Cardinal Place, SW1

Our work in sustainable design doesn't just apply to new developments; it helps when we're refurbishing existing buildings. For example, this year we refurbished several floors of our Cardinal Place, SW1, retail and office development, where our head office is now housed. We wanted to create an efficient, attractive and healthy space – so we used SKA assessments to measure our success. SKA is the leading sustainability assessment tool for fit-out projects and helps businesses like ours make sure their designs exceed best practice for health and wellbeing, energy efficiency and sustainable materials.

On various floors, we have carried out 'Category A' refurbishments – in other words we replaced the raised floors, suspended ceilings, and upgraded the mechanical and electrical services including new energy efficient LED lighting, giving tenants a blank canvas to move into. These works achieved the highest SKA rating, 'Gold'. We're expecting a further 54,000 sq ft of Category A refurbishments to receive SKA ratings later this year. All this is helping us bring a ten-year-old property up to date in a positive and sustainable way.





## Changing risks agenda

20 Finance Ministers and Central Bank Governors recently asked the Financial Stability Board (FSB) to look at how the financial sector can take account of climate-related issues. The FSB noted that companies need to provide better information about climate-related risks and opportunities, so that we see more informed investment, lending, and insurance underwriting decisions. A better understanding of climate risks will help us transition smoothly to a lower-carbon economy, avoiding market shocks. Last year, the FSB launched its Task Force on Climate-related Financial Disclosures. This task force has now developed a framework for climate-related financial disclosure. We're aware of the task force's recommendations, and are in the process of commissioning a study to assess our own portfolio's risks from climate change.

## 2. Resilience

Our commitment:  
Assess and mitigate site-specific climate change adaptation risks that are material across our portfolio

Climate change is affecting our business today. Warmer temperatures, higher rainfall and more variable weather are putting new pressures on our buildings. While there are well-established models for anticipating natural disasters, the models for incremental changes – like rising temperatures – aren't well used or understood. We don't yet understand all the risks that climate change poses. So this year we'll consider the most likely future scenarios closely and carefully, helping us to prepare, become resilient and share best practice.

### Understanding the risks

We formed a new commitment this year: to identify climate change risks across all our developments, and to mitigate them. This new commitment is supported in our new list of metrics for designing sustainable developments (see page 53). There's now a metric requiring teams to carry out a risk review of the development and implement design measures to improve structural and fabric resilience. We also met with stakeholders across the business, and planned how we can start work on this commitment in the new financial year. The more we understand about our risks, the more our teams can look at further measures to make our business more resilient. For example, all our new developments already carry out flood risk assessments and measures are included in the design to avoid and mitigate the risks. Going forward, we will look at measures such as introducing trees and green space to a development to soak up extra rainfall. We could adapt the building design, moving services from the basement to a higher level or include flood defence measures to protect against flooding. But more broadly across our business, it means looking at the protection we already have with our insurers. We need to ask: does our existing cover do all the things we think we'll need it to do in future? We plan to work with a climate resilience specialist along with our research function and asset managers, to further explore this.

Our ambition is that, as a result of our work, our customers won't notice a thing. They won't lose a week's trading when the next big storm hits, and they won't notice sharp spikes in cooling costs in hotter periods. As a responsible landlord, keeping customers open for business – and keeping their costs down – is the most important thing we can do.

### Seeing the bigger picture

Becoming truly resilient goes beyond climate change. It means thinking now about how people's lives, behaviour and expectations are evolving. For instance, driverless cars may mean our shopping centres will need fewer car park spaces in 20 or 30 years' time. That means today we should consider designing car parks so they can be converted into something else when they're no longer needed.



Resilience is becoming a major consideration for businesses with impact on insurance, valuation and rents already starting to show in many countries. Landsec are leading the way by committing to protecting their properties and customers from the impacts of climate change as these risks become more apparent."



**Darren Holmes**

Head of GB Risk Management,  
Willis Towers Watson

### 3. Embodied carbon

Our commitment:

Carry out embodied carbon analysis to inform the selection and procurement of building materials to reduce environmental impacts

This year we carried out a full review of our carbon footprint. This highlighted that a high proportion of our carbon emissions – 91% – come from Scope 3 emissions that are outside our direct control. You can read more about this on page 31.

Our Scope 3 emissions include embodied carbon emissions. These are the emissions involved in constructing our properties, including the manufacture and transportation of materials.

Reducing embodied carbon is tough, not least because it requires us to influence our partners and suppliers deep into our supply chain. But if we get this right we can make a big difference. Reducing embodied carbon can have a knock-on effect on other emissions too; for instance, sourcing low carbon materials locally can reduce transport emissions.

To address embodied carbon at a fundamental level we need to work in a new way across the design and construction stages, thinking about the emissions of an asset over its entire lifecycle. Our experience puts us in a great position to do this. As a vertically integrated business we already manage each stage of the life of many assets. We understand how different teams operate and connect at different points. Having worked across residential, commercial and retail projects, we know where our embodied carbon hotspots are. And we have the scale and relationships needed to inspire and influence others.



With six months left we have already reduced the carbon impact of Westgate by over 30,000 tonnes, with zero cost to the project."

—  
**Neil Read**

Project Director,  
Westgate Oxford

#### Setting new metrics

To support our focus on Scope 3 emissions, this year we created a new set of metrics for embodied carbon. While continuing our existing target to reduce our embodied carbon intensity by 15%, we also set out to:

- Aspire to an embodied carbon intensity of 900kg CO<sub>2</sub>/m<sup>2</sup> for commercial buildings and 500kg CO<sub>2</sub>/m<sup>2</sup> for retail
- Undertake a lifecycle cost exercise, to make sure we consider embodied carbon long term throughout the building's lifetime
- Specify and buy responsibly sourced core construction materials such as steel and concrete, which have a lower carbon footprint

In the past, we targeted the reduction of embodied carbon on a project-by-project basis. The new targets and reporting show how we're embedding this work across our business.

The targets use embodied carbon intensity as a key metric. This is the amount of carbon emitted to construct a building, measured against the size of that building. The new target will build on these great examples and ensure low carbon design and construction will become business as usual.



We've strengthened our approach to development this year, setting new sustainability targets that will challenge our development and construction teams."

—  
**Neil Pennell**

Head of Engineering & Design

#### Powered up at Nova, SW1

This year we launched the first phase of our Nova, SW1 development in London's Victoria. This includes the Nova Energy Centre, which will supply residential units, retailers and customers' offices across the entire development with low carbon heat and power.

The Energy Centre features two gas-fired Combined Heat and Power engines, which are designed to heat, cool and power the office buildings above. Initially, only one of the units will be operational with the second coming online once the development is fully let. Any excess power will be exported to the grid network where it will be used to power buildings in the local area. The system has the capacity to supply the new office buildings that will arrive in the second and third phases of the Nova, SW1 development and the capability to export any excess heat to an external heat network and adjacent properties such as our own nearby Portland House property in the future.

We expect the Energy Centre to reduce our customers' carbon emissions by 15%.

#### First to target: 1 New Street Square, EC4

Last year we reported that we carried out an embodied carbon assessment for 1 New Street Square, EC4 in the early design stages of the development. This allowed us to make choices that saved 5,570 tonnes of carbon and reduced our material costs by more than £600,000.

We also designed the building to be flexible, so it can be adapted across its lifetime according to changing customer needs. We made certain decisions – small things, like increasing the amount of parking for bikes. And bigger things, like making sure the ground floor reception space can be easily adapted to accommodate changing occupier requirements in the future.

The building opened its doors last year. Its final embodied carbon report shows that we achieved a 15% improvement on our baseline. It was the first of our developments to meet our embodied carbon target and provides proof that we can hit our target through sensible, cost neutral design solutions.

## Westgate Oxford: exceeding our ultra low target

When we planned our Westgate shopping centre Oxford City Council required us to reduce embodied carbon by 25,777 tonnes. We're delighted to report that we've exceeded this target, avoiding over 30,000 tonnes of embodied carbon emissions. These are the emissions that would have been created if we'd used an earlier design, but which we'll avoid now that we've used a more informed approach. This means the building has avoided as many emissions as it will expect to generate over the next 30 years.

To hit our target, we used a high volume of recycled materials. For instance, we bought local recycled aggregate and used a type of concrete with a high recycled content. We also set up a disposal site close to the construction site, which meant we didn't have to transport waste far. By the time the project is complete, total emission avoidance should reach 39,000 tonnes. Given that the total embodied carbon emissions across our business amounted to 126,000 tonnes last year, this is an important step forward and a powerful example for future development to learn from.

The table below shows the key things we did to reduce embodied carbon:

Actions	Carbon savings (TCO <sub>2</sub> )
Earthworks and excavation – local disposal	10,700
96% recycled content steel reinforcement	9,000
Replacing cement with industrial waste products	9,850
100% recycled content sheet piling	1,000
<b>Total savings to date</b>	<b>30,550</b>



## 4. Biodiversity

Our commitment:  
Maximise the biodiversity potential of all our development and operational sites

Biodiversity is the variety of plant and animal life across different habitats. It can inspire people to spend more time in a space and help give them a great experience – so it's an important consideration in our developments.

However, the activities of our industry can damage biodiversity by building on green spaces, over-using natural resources and employing processes that pollute water and damage soil. That's why we're taking action to reduce and mitigate our impacts and actively increase biodiversity at our assets. For example, in all of our developments we consider green infrastructure carefully. We can use green roofs, made from sedum (a type of flowering plant) or other vegetation, where it's not practical to add ground level landscaping. We're seeing growing enthusiasm for green roofs amongst customers, local communities and planning authorities.

### Working with The Wildlife Trusts

This year we continued our work with The Wildlife Trusts, exploring ways to increase biodiversity across our portfolio. We've developed a methodology that enables us to determine each site's potential for biodiversity and to measure biodiversity at a local and company-wide level.



Bluewater, Kent

The Wildlife Trusts believe that everybody has a part to play in changing the natural world for the better. Landsec's ground-breaking commitment raises the bar for its own sector and others."

**Stephanie Hilborne OBE**  
Chief Executive,  
The Wildlife Trusts



By providing new guidance on Net Gain and through their commitment to CIRIA's biodiversity awards, Landsec stands out as a champion and thought leader in a rapidly growing sector."

—  
**Dirk Vennix**  
 CIRIA CEO

Sites	Current rating	Targeted rating
Bluewater, Kent	A	A+
Gunwharf Quays, Portsmouth	B	B+
St David's, Cardiff	C	B+
The Galleria, Hatfield	C	B+
White Rose, Leeds	B+	A

The methodology gives each site an A, B or C rating, based on an assessment of what's there and how it could connect with neighbouring sites. This rating system helps us to prioritise our efforts and achieve the greatest value from our investments.

Following a pilot of the methodology across eight sites, we've now identified the properties with the greatest potential for biodiversity gain. Across a number of sites, we've carried out ecological assessments, developed habitat management plans and created landscape drawings. This will help us understand how to increase each site's rating and the likely effect on biodiversity gain. We also carried out a risk analysis of measures that could potentially affect future development.

The table below shows the classification of our portfolio.

Classification rating	No of sites
A	3
B+	3
B	28
C	27

+ indicates protective species potential

We've learnt that increasing biodiversity net gain on site isn't always enough to maximise its potential. It is vital to integrate measures into the surrounding landscape, especially if we're to fulfil our long-term biodiversity commitment.

#### Setting specific targets

Based on our work with The Wildlife Trusts, we have set a new metric for our biodiversity programme so we can measure progress.

- Achieve a 25% biodiversity net gain across the five sites currently offering the greatest potential by 2030.

These sites are Bluewater, Kent, St David's, Cardiff, Gunwharf Quays, Portsmouth, The Galleria, Hatfield, and White Rose, Leeds. The table to the right lists the five sites and their rating classifications. Additionally, we always look to achieve a biodiversity net gain on all new developments.

#### Championing excellence with CIRIA

For the second year, we're supporting the 2017 BIG Biodiversity Challenge: an initiative led by the Construction Industry Research and Information Association (CIRIA) that aims to strengthen biodiversity across the UK. The challenge is recognised as the number one industry initiative for increasing biodiversity within construction and the built environment. We're sponsoring the Community Engagement Award category.

We're also sponsoring CIRIA's Biodiversity Net Gain project. This 12-month research project will explore and develop the idea that, in order to stop natural habitats being lost, developers like us must commit to 'No Net Loss' and 'Net Gain' outcomes. This fits with our new metric, which commits us to creating net gain in biodiversity for all developments.

The resulting report will form the basis of a white paper, to be put to the Government next year when they review the Wildlife Act. We also hope it will help Local Authorities to work consistently and effectively to increase biodiversity.





## White Rose, Leeds: a home for bees

According to the British Bee Keeping Association, around 70 of the UK's food crops depend on visiting bees. But the number of honeybees has been falling since studies began in 1985. Back in 2014, we introduced two modern Bee-Box hives to our White Rose shopping centre in Leeds, to help boost the bee population.

Today, the hives are managed by Adam Whiteley – a team leader with our cleaning partner Interserve – who took an apprenticeship with a local beekeeper. As well as helping pollinate nearby crops, flowers and trees, the bees provide White Rose with a surprisingly large amount of award-winning honey. We share the honey with local groups and partner organisations. Adam has also used the honey to generate some great local publicity. Over the past three years we've added three more hives to the site. Now, in the summer months, there's between 500,000 and 750,000 bees.

## Cardinal Place, SW1: bat tracking

We've continued to support the Victoria Business Improvement District as their team tests whether green infrastructure enhances biodiversity.

The team is working at Cardinal Place, SW1 to see whether green infrastructure can increase local bat populations. We have one of the bat detectors on our site to record the echolocation calls bats use when hunting in the dark. These calls are then analysed to see which species of bat they come from, which shows how many different species of bat are in the area.

Five species of bat have been recorded to date. These include Nathusius' pipistrelle and Leisler's bat, both of which are rare in the UK. Monitoring the bats over a number of years will tell us more about how they, and other species, are responding to their urban surroundings.

## 5. Wellbeing

Our commitment:  
Ensure our buildings are designed and managed to maximise wellbeing and productivity

Whenever we design a new development we think hard about the experience of the people who will use and visit it – everyone from office workers and their clients to shoppers and retail staff, local neighbours and tourists. Our buildings should help to make people happier, healthier and more productive. In other words, we want our properties to increase people's wellbeing. Our ambition is to create truly great places to work that help our customers attract, support and inspire the very best talent, and to create shopping centres and leisure spaces that will draw people from miles around and provide them with a memorable day out.

### Fresh thinking

We start by getting the fundamentals right. That means ensuring there's lots of natural light, great views and plenty of fresh air.

Just as important as putting the right things in is taking the wrong things out – for example, avoiding construction materials or cleaning products that contain harmful chemicals and affect air quality.

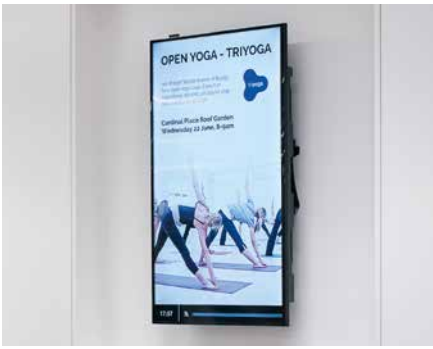
To make sure we really can achieve our commitment to maximise wellbeing we created two supporting metrics this year:

- To assess and design optimum air quality, daylight, lighting and noise factors
- Where applicable, to design and construct new developments for future WELL certification, a new benchmarking scheme which recognises buildings that maximise the positive effects of health and wellbeing measures

We have conducted a trial of WELL certification on the fit out of our new headquarters at 80-100 Victoria Street, SW1 to learn more about the process. This will enable us to help our customers deliver WELL projects for their employees in the future. Go to page 14 to see how we included health and wellbeing measures in the design of our new head office fit out.







### Sponsoring Better Places for People

This year we continued to sponsor the Better Places for People Campaign, an initiative from the World Green Building Council that aims to inspire companies to think about the effects of their property on people.

We'll also support the campaign by producing case studies to show how sustainable design affects health and wellbeing offices and shops. For instance, in Retail, we'll show how natural lighting and green space affects the experience of shoppers and retail workers. And, looking at our 80-100 Victoria Street, SW1 office development, we'll reveal how sustainable design has affected business outcomes.



Landsec's continued support of the BID and work towards promoting and improving local air quality has great benefits to the local environment and population. Their transparent and collaborative approach with occupiers and supply partners helps push this agenda forward."

**Ruth Duston**

Chief Executive, Victoria Business Improvement District



### Eastbourne Terrace, W2: a natural environment

When we redesigned our 20 Eastbourne Terrace, W2 office building we wanted the space to be like a boutique hotel. We created a calm atmosphere by using floor-to-ceiling windows that increase natural light and by using natural materials throughout the space. We introduced LED lighting that works according to natural rhythms and turns itself off when nobody is around. We also created spaces where people can socialise: a café area and communal business lounge, and a planted roof terrace with incredible views across London. There's also a garden with trees. We particularly wanted to help people stay fit, so we included cycle spaces and showers to encourage people to run or cycle to work. And we built a feature staircase that not only looks spectacular; it encourages people to take the stairs rather than the lifts.



Productivity improvements of 8-11% are common as a result of better air quality."

—  
**Harvard TH Chan**  
School of Public Health

# Additional information

## 1. Greenhouse gas reporting

This year we have made strides in calculating and reporting the full impacts of our business. By assessing our full greenhouse gas emissions for the first time, we can identify those areas where we can make the most positive impact.

We report our greenhouse gas (GHG) emissions annually in accordance with the World Resources Institute's Greenhouse Gas Protocol. Landsec is also committed to EPRA Best Practice Recommendations for Sustainability reporting, for which we have won a Gold award for three years running. We believe that such reporting improves transparency and performance. We report our data using an operational control approach to define our organisational boundary.

A detailed description of our reporting methodology and data, including our EPRA figures, can be found at [www.landsec.com/sustainability](http://www.landsec.com/sustainability)

GHG emissions are broken down into three Scopes, 1, 2 and 3.

Scope 1 emissions are direct emissions from activities controlled by us that release emissions into the atmosphere, whereas Scope 2 emissions

are indirect emissions associated with our consumption of purchased energy. Scope 2 emissions are reported using both the "location-based" and "market-based" accounting methods. Location-based emissions are reported using UK Government Greenhouse gas reporting – Conversion factors 2016. Market-based emissions are reported using the conversion factor associated with each individual electricity supply as per the supplier's guidance. Scope 1 emissions are currently reported using only the location-based method.

Scope 3 emissions are those that are a consequence of our actions, but which occur at sources we do not own or control and which are not classed as Scope 2 emissions. The GHG Protocol identifies 15 categories of which eight are directly relevant for Landsec.

**CO<sub>2</sub>e conversion factors – location-based\***

Table 28

	2015/16	2016/17	% change
Electricity	0.57492	0.51680	-10.1%
Natural gas	0.20928	0.20899	-0.1%

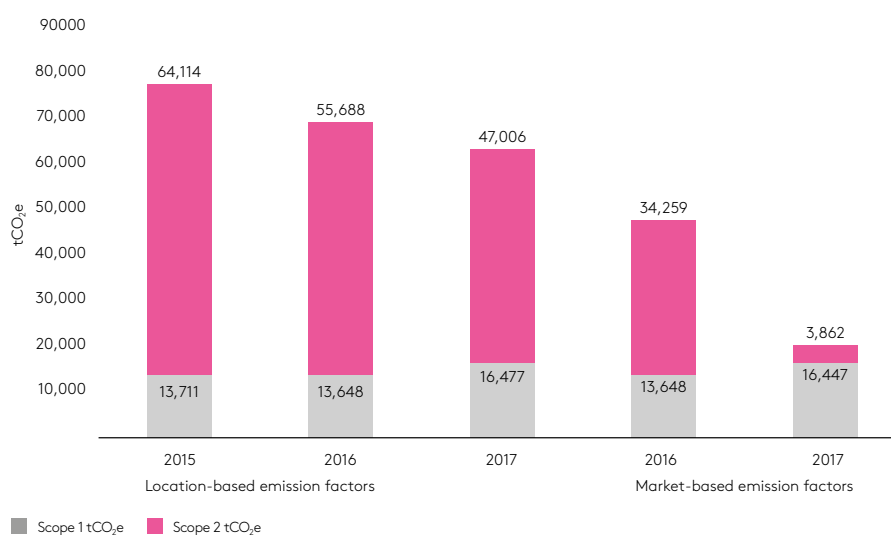
\* Combined conversion factor including well-to-tank and transmission and distribution factors

The above table outlines the "location-based" emission factors used for the 2016/17 year and how they compare to the previous year.

**Landsec – Scope 1 and 2 emissions 2015-2017**

Table 29

Scope 1 and 2 mandatory reporting	Location-based emission factors			Market-based emission factors		
	2015	2016	2017	2016	2017	
<b>Emissions</b>						
Scope 1 tCO <sub>2</sub> e	13,711	13,648	16,477	Scope 1 tCO <sub>2</sub> e	13,648	16,477
Scope 2 tCO <sub>2</sub> e	64,114	55,688	47,066	Scope 2 tCO <sub>2</sub> e	34,259	3,862
Scope 1 and 2 tCO <sub>2</sub> e	77,825	69,336	63,543	Scope 1 and 2 tCO <sub>2</sub> e	47,907	20,338
<b>Intensity</b>						
Scope 1 and 2 tCO <sub>2</sub> e/m <sup>2</sup>	0.041	0.038	0.038	Scope 1 and 2 tCO <sub>2</sub> e/m <sup>2</sup>	0.026	0.012



\* Landsec did not report market-based emissions in 2015. Therefore, this data is not included.

Total GHG emissions using location-based emission factors have dropped by 8% since the previous year. This has been driven by a reduction in electricity consumption and the drop in national emission factors due a cleaner energy mix. In terms of market-based emissions we have seen a significant reduction of 58%. This has been due to our move to 100% renewable electricity via our contract with SmartestEnergy.

This is the first year where we have fully reported our Scope 3 emissions having worked with The Carbon Trust to establish an accurate and repeatable methodology. We believe it was important to do so to fully understand and disclose the total emissions associated with our business.

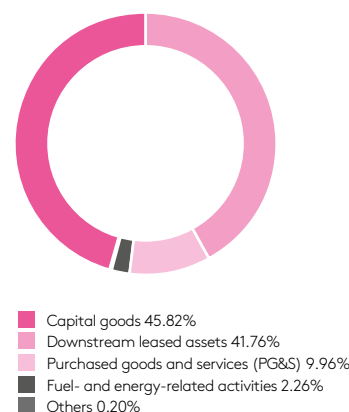
The table below provides a breakdown of our entire emission inventory including Scope 3.

The GHG Protocol splits Scope 3 emissions into 15 categories. We assessed each one individually and decided which ones were applicable to our business. For the categories that are applicable we have obvious hot spots which are highlighted below:

The two largest contributing categories are Capital goods and Downstream leased assets, making up 80% of our entire emissions. Capital goods include the emissions associated with the manufacture and transport of materials used within our construction activity and Downstream leased assets are those associated with our customers within our assets. We are working to reduce our impacts in these categories by working ever closer with our supply chain partners and customers.

**Landsec Scope 3 GHG emissions 2016-2017**

Chart 30



**Landsec Scope 1, 2 and 3 emissions 2016/17**

Table 31

GHG Scope	Category	Emissions (t CO <sub>2</sub> e)	% of total emissions
Scope 1	Scope 1	16,477	2%
Scope 2	Scope 2	47,066	7%
Scope 3	1. Purchased goods and services (PG&S)	61,647	9%
	2. Capital goods	283,570	42%
	3. Fuel- and energy-related activities	13,982	2%
	4. Upstream transportation and distribution	Grouped under PG&S	0%
	5. Waste generated in operations	740	0%
	6. Business travel	360	0%
	7. Employee commuting	182	0%
	8. Upstream leased assets	Not applicable	0%
	9. Downstream transportation and distribution	Not applicable	0%
	10. Processing of sold products	Not applicable	0%
	11. Use of sold products	Not applicable	0%
	12. End-of-life treatment of sold products	Not applicable	0%
	13. Downstream leased assets	258,428	38%
	14. Franchises	Not applicable	0%
	15. Investments	Not applicable	0%

## 2. Benchmarking and Awards

Taking part in rigorous external benchmarking of our performance helps us to track and assess our progress. It also provides stakeholders with confidence that we're turning our commitments and targets into action. And it underlines our ambition to be a sustainability leader in our industry. This year we received high scores from our key benchmarking schemes:

### Benchmarking scores

Table 32

Activity	Performance
Carbon Disclosure Project (CDP)	2016: A- (Leadership) 2015: disclosure 99/score B 2014: disclosure 96/score A- 2013: disclosure 88/score B 2012: disclosure 92/score B
Global Real Estate Sustainability Benchmark (GRESB)	2016: score 77% 2015: score 77% 2014: score 78% 2013: score 67% 2012: score 68%
Dow Jones Sustainability Index (DJSI)	2016: score 76/percentile ranking 92 2015: score 72/percentile ranking 89 2014: score 70/percentile ranking 87 2013: score 72/percentile ranking 87 2012: score 70/percentile ranking 85
FTSE4Good	We continue to retain our established position in the FTSE4Good Index
EPRA	Received a Gold Award at EPRA Sustainability Awards 2016 for Sustainability Reporting
Better Buildings Partnership's Real Estate Environmental Benchmark (REEB)	Offices – 2016: 13th out of 22 in performance league table – 2015: 22nd out of 23 in performance league table Retail – 2016: 4th out of 13 in performance league table – 2015: 10th out of 13 in performance league table

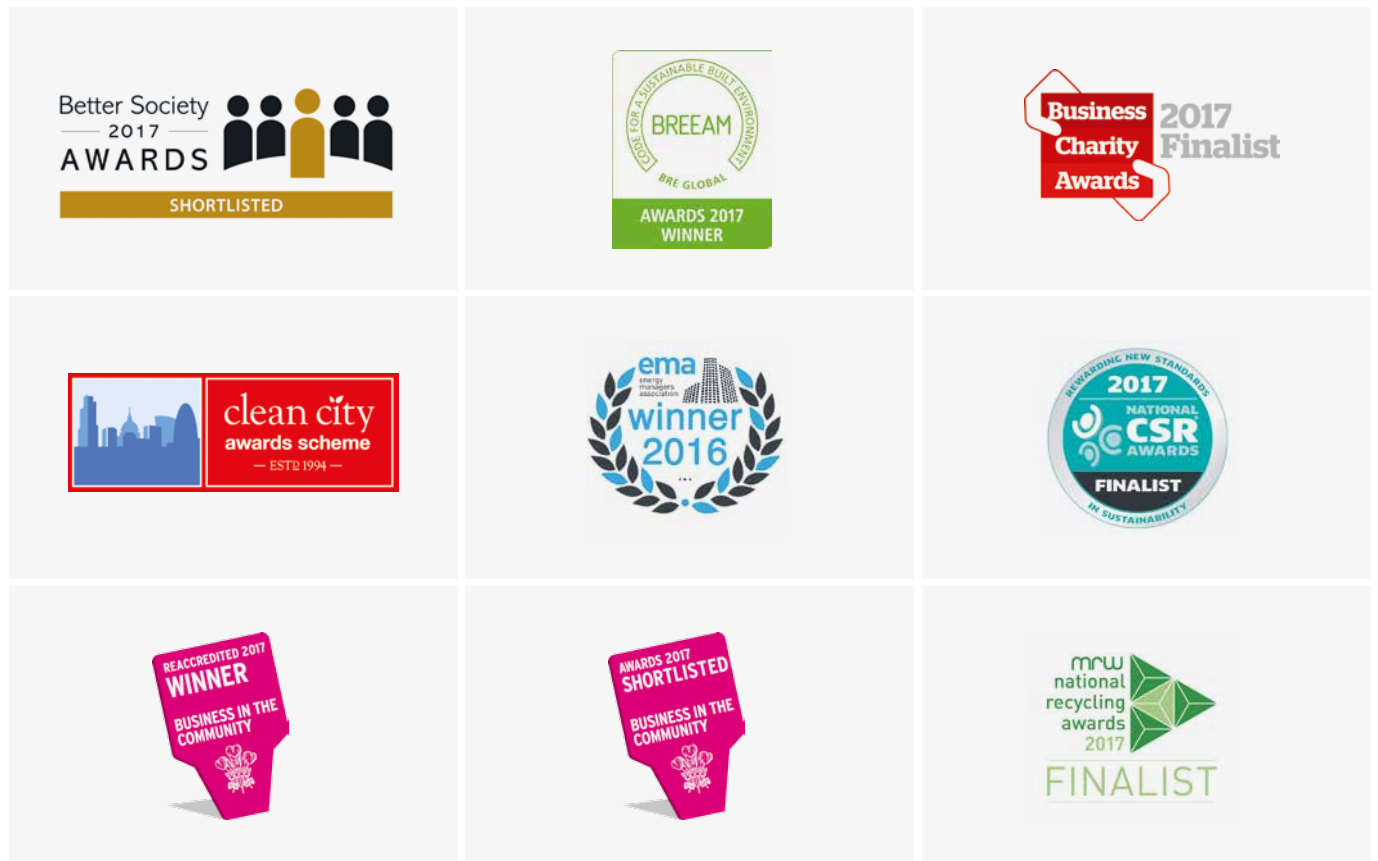
### Community investment data

Value of resources given	Over £2m equivalent of time, promotion and cash investment. 2,678 <sup>1</sup> hours spent by employees volunteering
National Charity Partnership	Over £360,000 raised for partner Mencap in our three-year partnership



**Awards**

Award name	Category	Date
Better Society Awards 2016	<b>Winner:</b> National Commitment to the Community Award	May 2016
City of London Building of the Year Awards 2016	<b>Winner:</b> Building of the Year Award, 1&2 New Ludgate, EC4	July 2016
RICS Awards 2016	<b>Winner:</b> Best Commercial Building, 1&2 New Ludgate, EC4	October 2016
Leading European Architects Forum (LEAF) Awards 2016	<b>Winner:</b> Developer and Development Project of the Year, 1&2 New Ludgate, EC4	October 2016
EMA Energy Management Awards 2016	<b>Winner:</b> EMA Most Inspiring Energy Reduction Project 2016 – NG Bailey in Collaboration with Landsec	November 2016
World Architectural Festival	<b>Winner:</b> World’s Best Office, The Zig Zag Building, SW1	November 2016
The City of London Clean City Awards Scheme 2017	<b>Winner:</b> – New Street Square, EC4, Premier Award for Facilities Management and Chairman’s Cup – 20 Fenchurch Street, EC3, Platinum Award	January 2017
BREEAM Awards 2017	<b>Winner:</b> BREEAM Offices Refurbishment & Fit-Out award	March 2017
National Recycling Awards 2017	<b>Shortlisted:</b> Team of the Year Award	March 2017
National CSR Awards 2017	<b>Shortlisted:</b> Clean and Green Award	March 2017
Better Society Awards 2017	<b>Shortlisted:</b> Partnership with a National Charity	March 2017
Business Charity Awards 2017	<b>Shortlisted:</b> Charity partnership – property & construction	March 2017
BITC Responsible Business Awards 2017	<b>Shortlisted:</b> Environmental Leadership Award <b>Reaccreditation:</b> Work Inclusion Award	April 2017



### 3. Sustainable Development Goals

In 2015 the UN introduced 17 Sustainable Development Goals (SDGs). We believe these set out a clear, helpful and appropriately ambitious framework for progress towards a more sustainable world.

We've mapped our sustainability programme to the SDGs to ensure our priorities are in line with the wider world. Our activities relate to all 17 goals but the following are especially pertinent to what we do and how we do it:

- **Good health and wellbeing** – we are committed to ensuring our buildings are designed and managed to maximise wellbeing and we put strong emphasis on health, safety and security in everything we do
- **Quality education** – we run a high-profile community education programme that has a real impact on local communities
- **Gender equality** – we're committed to making measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix
- **Affordable and clean energy** – we're committed to buy 100% renewable electricity across our portfolio and to invest in low carbon technologies in our buildings, including solar power
- **Sustainable cities and communities** – we work to create spaces and places that help our customers and communities thrive, that includes thinking about how we can enhance local infrastructure and prosperity
- **Responsible consumption and production** – we have stretching waste management targets and we're now working to implement circular economy principles
- **Climate action** – we were the world's first property company to have an accredited science based carbon reduction target, underlining that we're playing our part in keeping to a 2 degrees world.



## 4. New sustainability framework metrics for developments

On page 40 we explored how we have enhanced our approach to development. This new approach was the result of a 12-month consultation with employees from across the business and 26 of our supply chain partners.

In January 2017 we agreed these new metrics for our development pipeline that will help us to address all 12 of our sustainability commitments. Each metric will be measured through a Sustainability Plan.

### Creating jobs and opportunities

Table 34

Commitment:	Supporting metrics:
1. Community employment: Help a total of 1,200 disadvantaged people to secure jobs by 2020	<ul style="list-style-type: none"> <li>– Define and achieve a project specific community employment target</li> <li>– Provide support for existing, or create new education partnerships</li> <li>– Provide support for nominated national and local charities</li> <li>– Measure the percentage of project value spent with social enterprise and community interest companies</li> </ul>
2. Fairness: Ensure the working environments we control are fair and ensure that everyone who is working on our behalf – within an environment we control – is paid at least the Living Wage by 2020	<ul style="list-style-type: none"> <li>– All construction partners to measure and report the percentage of direct and subcontracted employees paid the Living Wage</li> </ul>
3. Diversity: Make measurable improvements to the profile – in terms of gender, ethnicity and disability – of our employee mix	<ul style="list-style-type: none"> <li>– All construction partners to measure and report the percentage of male/female staff in construction management and operative roles</li> <li>– Provide reports detailing the support provided for improvement of all forms of diversity in the project team and supply chain</li> </ul>
4. Health, safety and security: Maintain an exceptional standard of health, safety and security in all the working environments we control	<ul style="list-style-type: none"> <li>– Zero reportable health and safety incidents</li> <li>– Every worker to have transferable occupational health records for operatives</li> <li>– All construction partners to have a wellbeing policy</li> <li>– All developments to be designed in accordance with principles of the Secured by Design framework or recommendations of a specialist security review</li> </ul>

### Efficient use of natural resources

Table 35

Commitment:	Supporting metrics:
5. Renewable electricity: Continue to procure 100% renewable electricity across our portfolio	<ul style="list-style-type: none"> <li>– Construction partners to use a renewable energy tariff for temporary construction supply and commissioning where possible</li> </ul>
6. Waste: Send zero waste to landfill with at least 75% recycled across all our operational and construction activities by 2020	<ul style="list-style-type: none"> <li>– Send zero waste to landfill with at least 75% recycled across all our activities, and reduce construction waste to &lt;6.5t/100m<sup>2</sup></li> <li>– Measure and report the percentage of waste materials removed from site by the original manufacturer</li> </ul>
7. Carbon: Reduce carbon intensity (kgCO <sub>2</sub> /m <sup>2</sup> ) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years, with a longer-term ambition of an 80% reduction by 2050	<ul style="list-style-type: none"> <li>– Measure and report the percentage of operational energy provided through low carbon and renewable on-site solutions</li> <li>– Report projected annual cost savings from investment</li> </ul>
8. Energy: Reduce energy intensity (kWh/m <sup>2</sup> ) by 40% by 2030 compared to a 2013/14 baseline, for property under our management for at least two years	<ul style="list-style-type: none"> <li>– Performance data for comparable buildings to be shared with the design team by RIBA Stage 2</li> <li>– Use our soft landings framework to optimise performance against design intent and conduct a post-occupancy evaluation after two years of operation or following 95% occupancy</li> </ul>

Commitment:	Supporting metrics:
9. Resilience: Assess and mitigate site specific climate change adaptation risks which are material across our portfolio	<ul style="list-style-type: none"> <li>– Climate change adaptation risk review undertaken and assess appropriate design measures to implement which address structural and fabric resilience</li> </ul>
10. Embodied carbon: Carry out embodied carbon analysis to inform the selection and procurement of building materials to reduce environmental impacts	<ul style="list-style-type: none"> <li>– Achieve at least a 15% reduction in embodied carbon measured against a Stage 3 baseline</li> <li>– Aspire to an embodied carbon intensity of 900kgCO<sub>2</sub>/m<sup>2</sup> for commercial buildings and 500 kgCO<sub>2</sub>/m<sup>2</sup> for retail</li> <li>– Undertaking of a Life Cycle Cost exercise</li> <li>– Specify and procure responsibly sourced core construction materials</li> </ul>
11. Biodiversity: Maximise the biodiversity potential of all our development and operational sites	<ul style="list-style-type: none"> <li>– Achieve full FSC project specific certification</li> <li>– Measure and report the percentage gain in biodiversity quality</li> <li>– Production and adoption of a Habitat Management Plan</li> </ul>
12. Wellbeing: Ensure our buildings are designed and managed to maximise wellbeing and productivity	<ul style="list-style-type: none"> <li>– Assess and achieve optimum air quality, daylight, lighting and noise factors</li> <li>– Design and construct developments to be prepared for WELL certification, where appropriate</li> </ul>



One New Change, EC4



## 5. Independent Assurance Statement to the management of Land Securities Group PLC

We have performed a limited assurance engagement on selected performance data and statements presented in the Land Securities Group PLC ('the Group') 2017 Sustainability Report ('the Report').

### Respective responsibilities

The Group's management are responsible for the collection and presentation of the information within the Report. Management are also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with management's instructions, is to carry out a 'limited level' assurance engagement on selected data and performance claims in the Report ('the subject matter information'). We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

### What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with ISAE3000 (Revised)<sup>1</sup> and to meet the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008).<sup>2</sup> The criteria we have used to evaluate the Report ('the Criteria') include the AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness; and, for selected data, Landsec's own criteria as set out in the Report and in the Environmental Reporting Methodology document.

The procedures we performed were based on our professional judgement and included the steps outlined below:

**1. Interviewed a selection of the Group's management** and reviewed Company-level documents to understand the progress made in the area of sustainability during the reporting period and test the coverage of topics within the Report.

**2. Conducted site visits at two sites (Nova, SW1 and Westgate, Oxford)**

to understand how the sustainability agenda is being managed at the site-level.

**3. Reviewed the Group's approach to stakeholder engagement** through interviews with employees with responsibility for managing engagement activities and reviewed selected associated documentation.

**4. Reviewed the Group's process for determining material issues** to be included within the Report.

**5. Reviewed the coverage of key issues within the Report** against the key issues raised in external media reports and the sustainability reports of the Group's peers, as well as the topics discussed in our management interviews, site visits and by the Sustainability Committee and other internal working groups.

**6. Interviewed staff responsible for data reporting and carried out the following activities to review selected sustainability data:**

- Reviewed the guidance on data reporting, key processes and quality assurance performed.
- Selected a sample of data points from across the business and sought documentary evidence to support the data.
- Conducted a walk-through of data reported from a sample of sites to test consolidation.
- Reviewed any explanations provided for significant variances.
- Reviewed the Report for the appropriate presentation of the data including limitations and assumptions.

Our review of data processes was limited to the following selected data sets:

- **Community employment:** People into jobs through the Community Employment Programme
- **Greenhouse gas emissions:** Direct GHG emissions (MtCO<sub>2</sub>e), Indirect GHG emissions (MtCO<sub>2</sub>e), and GHG intensity from building energy (tCO<sub>2</sub>e/m<sup>2</sup>/ year)
- **Waste:** Waste diverted from landfill (tonnes) and percentage of waste recycled

**7. Reviewed information or explanation about selected data, statements and assertions** regarding the sustainability performance of the Group.

### The limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 Revised) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Completion of our testing activities has involved placing reliance on the Group's controls for managing and reporting sustainability information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at the Group beyond those used for selected sustainability data (as presented in the table above).

We have only sought evidence to support the 2016/2017 performance data. We do not provide conclusions on any other data from prior years.

### Our conclusions

Based on the scope of our review our conclusions are outlined below:

#### Inclusivity

**Has the Group been engaging with stakeholders across the business to develop its response to sustainability issues?**

- We are not aware of any key stakeholder groups that have been excluded from dialogue.
- We are not aware of any matters that would lead us to conclude that the Group has not applied the inclusivity principle in developing its response to sustainability issues.

#### Materiality

**Has the Group provided a balanced representation of key topics concerning its sustainability performance?**

- We are not aware of any key topics concerning the sustainability performance of the Group which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that the Group's management has not applied its processes for determining material issues to be included in the Report.

## Responsiveness

### Has the Group responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that Landsec has not applied the responsiveness principle in considering the matters to be reported.

### Completeness and accuracy of performance information

- We are not aware of any material reporting units that have been omitted from the stated scope of the Company-level sustainability data.
- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly from Company-level systems.
- We are not aware of any errors that would materially affect the data as presented in the Report.

### How plausible are the statements and claims within the Report?

- We have reviewed information or explanation on selected statements regarding the Group's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

## Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to the Group's management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out above.

- Through our interviews with management we noted that Executives at Landsec are engaged in the Company's key sustainability programmes, and are aware of the business's sustainability priorities. The importance of sustainability to Landsec has been conveyed by the CEO, and this top-down leadership has enabled sustainability awareness to be cascaded across the Company and further embedded into operations.
- This is the first year Landsec has reported measurable diversity metrics, which are designed to drive improvement across the business. At this time, outcome metrics have only been developed for gender diversity. We note that Landsec is leading a cross-industry collaboration to increase engagement and performance on diversity in the real estate sector. We would encourage Landsec to consider developing outcome-based targets for other prioritised aspects of diversity, such as ethnic diversity.

- Landsec continues to have well-structured processes for collecting and analysing portfolio energy consumption data through the Optima Energy Management System. At this time, other environmental data, such as refrigerants, waste and water consumption, are captured manually in spreadsheets, which introduces a higher risk of human error than an electronic data system. Landsec may want to consider more automated data systems to capture environmental data beyond energy.

## Our independence

We have implemented measures to comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1.<sup>3</sup> Ernst & Young's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to the Group whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2016/17. Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

### Ernst & Young LLP, London 12 June 2017

1. International Federation of the Accountants' International Standard for Assurance Engagements (ISAE3000) Revised, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.
2. The 2008 edition of AccountAbility's AA1000 assurance standard.
3. Parts A and B of the IESBA Code; and the International Standard on Quality Control 1 (ISQC1)

## Contact

### Caroline Hill

Head of Sustainability

T: +44(0)2070245462

E: caroline.hill@landsec.com

## Land Securities Group PLC

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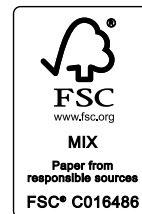
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Design:

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Words:

**Tim Rich, Kate van der Borgh and Landsec**

Photography:

**Philippa Langley**

**Luke Hayes**

**Tim Soar**

**Joseph Fox**

**Skanska**

Land Securities Group PLC  
100 Victoria Street London SW1E 5JL  
+44 (0)20 7413 9000  
[www.landsec.com/sustainability](http://www.landsec.com/sustainability)

