

## Responsible Property Investment Policy

Landsec is the largest listed commercial property company in the UK by market capitalisation. We buy, sell, develop and manage commercial property, with a focus on offices, retail and leisure in London, and retail and leisure outside London.

### **Our Vision**

Our vision is to be the best property company in the UK in the eyes of our customers, our communities, our partners and our employees. Our sustainability ambition reflects this and we aim to be the sustainability leader in the UK listed real estate sector. We therefore recognise that our approach to acquisitions and disposals needs to support our stretching sustainability commitments.

### **Asset Acquisition**

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 deliver long-term sustainable value. Our Sustainability and Property / Portfolio teams work together to assess physical and environmental due diligence information on the current condition and future potential of an asset. By being considered and proactive in our assessment, we can better understand the asset, manage risk, and meet growing regulatory requirements and societal changes. This allows us to realise opportunities and build a portfolio of assets with enduring appeal and greater resilience.

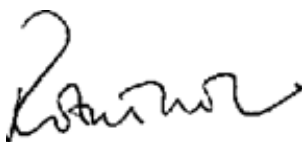
### **Asset Disposal**

Under our ownership, the sustainability credentials of our assets should improve, both socially and environmentally. This creates value for our shareholders and other stakeholders. Our commitment to transparency in this area, sharing relevant, comprehensive data and information about the performance of our assets with buyers, goes beyond standard disclosure requirements.

### **Our Approach**

Sustainability is formally included in our Investment Committee Appraisal Guidelines. Responsibility for ensuring that sustainability is incorporated into the decision-making process is shared across our business. Our Sustainability and Property / Portfolio teams are responsible for undertaking due diligence assessments and presenting the findings and recommendations to senior management. Our Retail and London Executive Committees, Investment Committee and Board are responsible for reviewing this information and considering the potential impact to our business.

Trained members of our Sustainability team use a bespoke assessment tool to evaluate performance metrics for each investment opportunity. These metrics are grouped into sustainability impact areas, each is materially significant and aligns to our corporate sustainability framework. We review our assessment criteria on an annual basis.



27<sup>th</sup> April 2017

**Robert Noel**  
Chief Executive

**Date**

### Sustainability Performance Metrics Assessed During Investment Due Diligence

Under our sustainability framework we have three priority areas. These are creating jobs and opportunities, Efficient use of natural resources, and sustainable design and innovation. The following table outlines the impact areas and performance metrics we assess during investment due diligence and why these are important to us and our stakeholders.

Sustainability performance metric	Example means of assessment	Why this is important to Landsec's stakeholders
Creating jobs and opportunities		
Local community relationships, reporting requirements, Local Authority requirements	Liaison meeting minutes	<p>We aim to work in areas in which we can make a meaningful improvement to local communities, creating both benefits for local people and commercial advantage.</p> <p>We recognise the importance of relationships with local stakeholders. These may influence future development plans and there may be requirements for an asset to report on local socio-economic indicators.</p> <p>We have a corporate commitment to ensure the working environments we control are fair and that everyone working on our behalf - within our managed control - is paid at least the Living Wage by 2020.</p>
Efficient use of natural resources		
Energy (electricity and gas) and water supplies and use	Electricity, gas and water meters	<p>We are committed to playing our part in tackling the global challenge of climate change.</p> <p>We have a corporate commitment to reduce carbon intensity (kgCO2/m2) by 40% by 2030, compared to a 2013/14 baseline, for property under our management for at least two years. Our longer-term ambition is an 80% reduction by 2050.</p> <p>We also have a corporate commitment to continue to procure 100% renewable electricity across our portfolio.</p> <p>Understanding an asset's energy use (including previous audits) allows us to assess the potential impact to our corporate energy and carbon targets and commence reduction planning where possible.</p> <p>Understanding supplies also allows our in-house Energy Bureau team to commence recharging for occupiers in a timely manner. Historical records will also help to set future service charge budgets more accurately.</p>

Sustainability performance metric	Example means of assessment	Why this is important to Landsec's stakeholders
Efficient use of natural resources		
Building operation control measures	Building Management System (BMS)	Establishing the breadth and functionality of available lighting and heating controls will help us to develop better quality asset management plans and most efficiently manage a property for our occupiers.
Onsite renewable energy generation	Solar panels, ground source heat pumps	Renewable energy generation may have financial benefits for occupiers through the CRC or FITs / RHI payments. Occupiers may also benefit from lower energy costs for common areas as these technologies feed back into the building.
Past carbon reporting	Certificates and associated reports	Understanding any previous carbon reporting will help our in-house reporting team to benchmark future reporting (including CRC payments).
Energy Performance Certificates (EPCs)	Certificates and associated reports	EPCs are legally required under Building Regulations and certain obligations exist under the Minimum Energy Efficiency Standards.
Leak detection	Detection system	Understanding present leak detection systems will help us to develop better quality asset management plans and more efficiently manage a building for our occupiers.
Water harvesting	Storage tanks, meters	This technology can help to reduce a buildings' mains water consumption, thus reducing costs for occupiers. Ensuring such technology works efficiently is beneficial to all building users.
Waste management and recycling	Waste transfer / consignment notes	<p>Good waste management is crucial to the efficient functioning of a property. Understanding current practice (i.e. onsite recycling segregation) and performance allows us to help occupiers improve the efficiency of their management processes.</p> <p>We have a corporate commitment to send zero waste to landfill with at least 75% recycled across all our operational and construction activities by 2020.</p>

Sustainability performance metric	Example means of assessment	Why this is important to Landsec's stakeholders
Efficient use of natural resources		
Contaminated land (including radiation) and hazardous materials	Test results and reports	Contaminated land and hazardous materials can pose a danger to humans and the environment. There may also be costs to remediate, remove or manage these.
Flood risk assessment and existing control measures	Assessment reports	<p>Flooding may pose a danger to building users and disrupt occupier businesses. Understanding existing flood defences is crucial in order to prevent disruption.</p> <p>We undertake flood risk assessments as part of our due diligence to ensure appropriate and adequate protection measures are in place.</p>
Customer travel and transport facilities	Survey results, reports	We recognise that customers may use a variety of modes of transport to reach an asset. Understanding whether existing services and facilities are adequate and fit for purpose is key. If some need to be enhanced, this may require further investment (e.g. proximity to public transport, bike racks, car parking, shower facilities, electric vehicle charge points).
Present ecology i.e. protected or invasive species and biophilia	Survey results, reports	<p>There are a number of legal obligations for the management of invasive species and protection of other species. Understanding whether protected or invasive species are present will help inform the asset management plan and potential clearance costs (e.g. for an invasive plant species).</p> <p>There is much research which suggests that the presence of plants/greater access to nature can be beneficial to human health and wellbeing, indirectly improving the productivity of building users.</p> <p>We have a corporate commitment to maximise biodiversity across our portfolios, focusing on those sites with the greatest commercial and environmental potential.</p>

Sustainability performance metric	Example means of assessment	Why this is important to Landsec's stakeholders
Sustainable design and innovation		
Existing building certifications / ratings (BREEAM, LEED, SKA, WELL)	Certificates	Ensuring our buildings can be adapted to meet the needs and demands of tomorrow's customers is essential to our strategy. Certifications inform us of the sustainability credentials of the building which we could further develop and promote to existing and new occupiers.
Embodied carbon assessment	Assessment reports	Information from such an assessment can help to build a full life cycle assessment of the building's carbon use. This can be used for investor reporting and benchmarking survey responses e.g.GRESB, DJSI, CDP.
Indoor and outdoor air quality, ventilation, daylighting and lighting, acoustics, thermal comfort, amenities	Sensor results, BMS readings	A number of indicators have been shown to benefit the health and wellbeing of building users. Good air quality is important for oxygen levels and respiratory health. Natural daylight may help reduce the need for artificial lighting, and contribute to reduced energy consumption. Poor acoustics and internal temperatures may cause discomfort to building users and affect their ability to concentrate. Collecting data and understanding these metrics can help us to provide healthier, more productive, working and living environments. We have a corporate commitment to ensure our buildings are designed and managed to promote wellbeing and productivity.
Green clauses in leases	Lease documents	A number of indicators have been shown to benefit the health and wellbeing of building users. Good air quality is important for oxygen levels and respiratory health. Natural daylight may help reduce the need for artificial lighting, and contribute to reduced energy consumption. Poor acoustics and internal temperatures may cause discomfort to building users and affect their ability to concentrate. Collecting data and understanding these metrics can help us to provide healthier, more productive, working and living environments. We have a corporate commitment to ensure our buildings are designed and managed to promote wellbeing and productivity. Obligations may exist between the current landlord and occupiers e.g. sharing data. We seek to build good relationships with occupiers and as such would want to ensure the exchange of information/data continues.