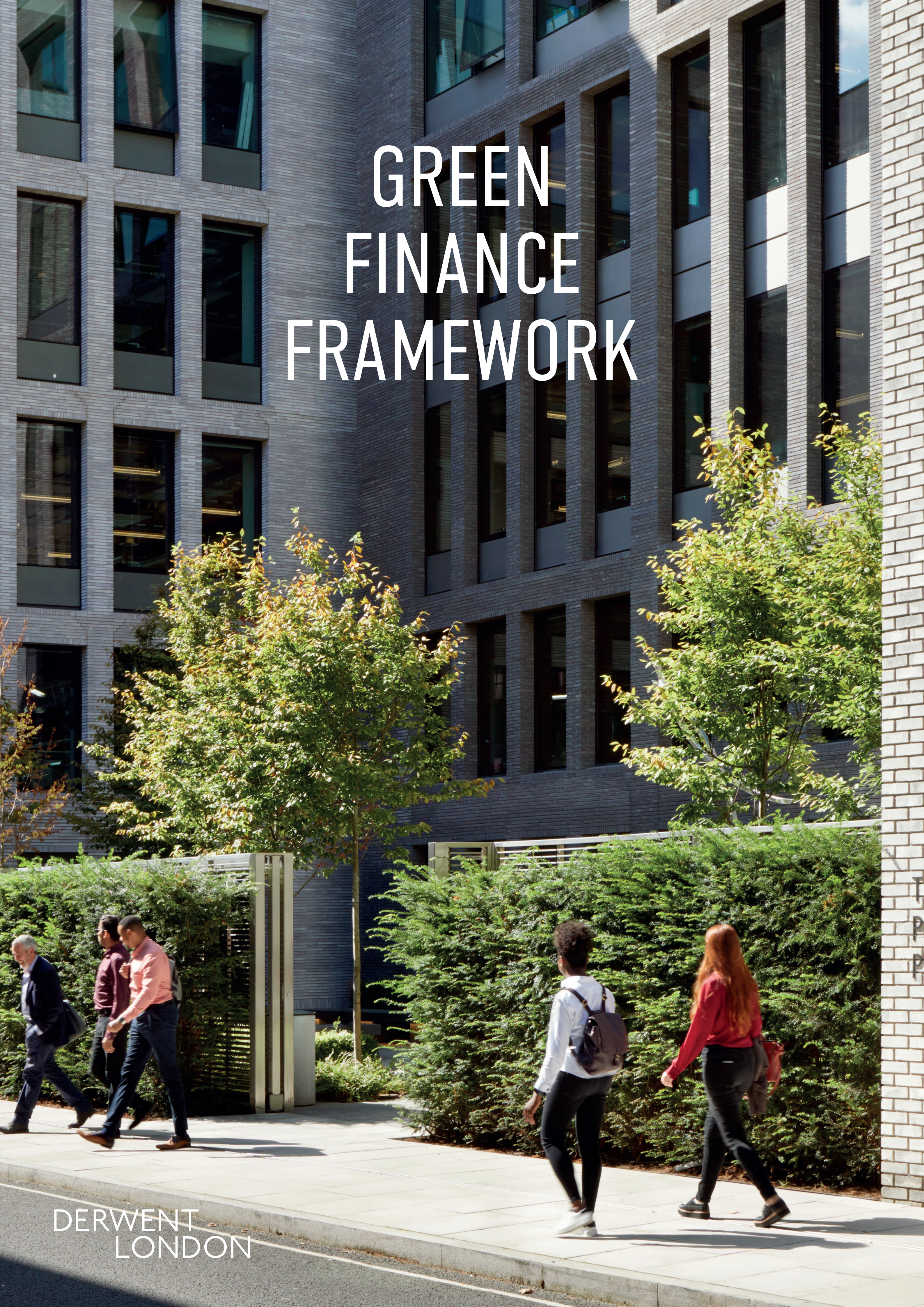
GREEN FINANCE FRAMEWORK



DERWENT LONDON

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1.0 INTRODUCTION

Derwent London ("Derwent" or "The Group") is the largest London-focused Real Estate Investment Trust (REIT), owning a 5.4 million sq ft portfolio as at 30 June 2021 of mainly commercial real estate across 13 'villages' in central London. Headquartered in London, it is a specialist property regenerator and investor with a design-led philosophy and a progressive and sustainable approach to development. The parent company of the Group, Derwent London plc, is listed on the London Stock Exchange and is a member of the FTSE 250.

As a REIT, which requires it to be primarily a property rental business, the majority of Derwent's portfolio is income producing. However, Derwent's business model is also focused on adding value to its properties in line with its purpose, which is to help improve and upgrade the stock of office space in central London. It seeks a balance between properties with potential to add further value through regeneration and those which have already been improved but where the Group's asset management skills can continue to grow value and income.

Sustainability is deeply ingrained in what the Group does. A key part of the Group's business model is to implement good design, which is underpinned by sustainability to develop buildings that provide great working, amenity and outdoor spaces, improve energy efficiency and reduce consumption of natural resources. This approach also seeks to improve the health and wellbeing of the buildings' occupiers.

In 2019, Derwent became the first UK REIT to sign a Green Revolving Credit Facility which supports the next generation of Derwent's buildings, recognising its environmental obligations to all stakeholders.

Derwent's ongoing sustainability commitments to both new developments and the existing portfolio have been recognised externally:

- Derwent is committed to becoming a net zero carbon business by 2030, having published details of its pathway to achieving this goal in July 2020.
- The Group is a member of the 'RE100' which recognises Derwent as an influential group, committed to 100% renewable power by purchasing renewable energy, a key step in becoming a net zero carbon business.
- Derwent is one of only a few property companies worldwide to have science-based carbon targets validated by the Science Based Targets initiative (SBTi).
- Listed as one of the Global 100 Most Sustainable Companies in 2017 and 2018 as announced at the World Economic Forum at Davos, the only UK REIT recognised in this way.
- Joined the Better Buildings Partnership in 2019 which focuses on improving the sustainability of existing commercial building stock.

The Group has a tailored approach to development, re-using as much of the fabric of the original building wherever possible, which reduces costs and has environmental benefits. This approach helps Derwent deliver more inherently sustainable spaces, which are not only attractive to occupy, being flexible and healthy to work in, but also efficient to operate.

One of Derwent's five strategic objectives is 'to design, deliver and operate its buildings responsibly'. To achieve this, the Group's responsibility strategy contains seven key priorities, which are:

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

The Group's success in achieving this strategic objective is measured through three of its key performance indicators: Building Research Establishment's Environmental Assessment Method ("BREEAM") ratings for major developments and refurbishments, Energy Performance Certificates ("EPCs") for its buildings and performance against science-based carbon targets.

In June 2020 Derwent published its Net Zero Carbon Pathway setting out how it will meet these strategic aims, including by driving down energy demand across its portfolio, investing in renewable energy and offsetting the residual emissions that it cannot eliminate.

Creating a Positive Socio-economic Impact:
Creating a positive socio-economic impact in local communities in and around Derwent's properties is important to us and is a sign that our buildings are helping to secure wider benefits in their neighbourhoods. By looking beyond the bricks and mortar of our buildings, we ensure we can play an active role in the community by building lasting relationships with local stakeholders and helping them achieve their objectives. Our approach is explained in our Community Strategy which covers how we intend to deliver and measure our objectives. Creating value in the community has been identified as one of the seven long-term responsibility priorities that are fundamental to the business and the shareholders. Hence, the overall aim of the community strategy is to enable value creation and to develop and maintain strong relationships within the communities in which they operate.

ESG Governance:
The oversight of Environmental, Social and Governance (ESG) matters is critical. It not only allows the Board to understand more holistically the impact of its decisions on key stakeholders and the environment, but also ensures it is kept aware of any significant changes in the market. This includes the identification of emerging trends and risks, which in turn can be factored into its strategy discussions.

ESG is overseen principally by the Board, Responsible Business Committee (RBC) and Sustainability Committee. The governance of climate change risk and opportunities is ultimately the responsibility of the Board.

Derwent's sustainability team is responsible for developing and implementing the Group's sustainability strategy and for reporting on the performance against this. Its work is governed and overseen by the Sustainability Committee which provides sustainability updates directly to the Responsible Business Committee and main Board.

The Sustainability Committee meets at least quarterly and acts as a guardian for the Group's sustainability strategy, and, in doing so:

- Evaluates performance and monitors progress against targets and initiatives, which include the Group's science-based carbon targets, energy efficiency, and greenhouse gas emissions linked to climate change. Performance is reported on a traffic light basis (red, amber and green).
- Assesses emerging legislation, key issues and risks to ensure the business is proactive and diligent in its approach.
- Reviews the sustainability strategy in the context of the objectives it is intended to achieve.

2.0 FRAMEWORK OVERVIEW

This Green Finance Framework (the "Framework") has been developed to demonstrate how the Group intends to enter into Green Financing Transactions ("GFTs") to fund projects that will deliver environmental benefits to support Derwent's business strategy and purpose. This Framework will be used to govern all forms of Green Finance including, but not limited to, Public Bonds, Private Placements, Revolving Credit Facilities and Loans (together known as Green Financing Transactions ("GFTs")). The Framework is also designed to contribute to sustainable development by application of the proceeds towards Eligible Green Projects ("EGPs"). Any bonds issued under the Framework will be aligned with the International Capital Market Association ("ICMA") Green Bond Principles ("GBP"), 2021 or as they may be subsequently amended. With respect to bank or other loans drawn under the Framework, these will be aligned with the Loan Market Association ("LMA") Green Loan Principles ("GLP"), 2021 or as they may be subsequently amended. We also believe the Framework is consistent with the objectives set out in the latest EU Technical Expert Group on Sustainable Finance Taxonomy. Derwent has also taken into account the recently published 'EU Taxonomy Climate Delegated Acts' in determining the eligible Uses of Proceeds. Where feasible, Derwent may further update or expand the Framework to align with emerging market standards and best practices, such as the UK Taxonomy or other relevant standards and guidelines.

3.0 MANAGEMENT COMMITMENT

In relation to each GFT that it enters into, Derwent will adopt the following principles:

3.1 Use of Proceeds

The net proceeds of each GFT will be used to acquire, fund or refinance, in whole or in part, new or existing EGPs within Derwent's real estate portfolio. In order to qualify as EGPs recognised in the Green Bond Principles and/or the Green Loan Principles 2021, the projects will be required to meet one or more of the following eligibility criteria:

Categories for Eligibility	Description of Criteria	Alignment to UN Sustainable Development Goal	Alignment with the Group's Strategic Responsibility Priorities	Linkage to "Environmental Objectives" per the EU taxonomy Regulation
Green buildings	1. New developments or major refurbishments, which are subject to a BREEAM/LEED rating, of commercial buildings that target and receive third-party verified green building certification and subsequently achieve the following rating: • Minimum BREEAM Excellent; and/or • Minimum LEED Gold. and • Minimum EPC B 2. New residential developments that target and receive third party certification and achieve the following rating: • Minimum Home Quality Mark 4 Star. Other certification standards may become applicable over time; therefore, we will introduce these into the eligibility criteria as appropriate. Note that, once a specific new green development or major green refurbishment project has been identified and commenced, the original site acquisition cost may also be included as eligible green expenditure. 3. Refurbishments of commercial and residential buildings and spaces which may result in measurable improvement in the EPC rating of the existing building or spaces. This is defined as an improvement of at least two rating bands where a building or space has a current EPC rating below C. 4. Procurement of building materials and technologies that fulfil the requirements of the green building certification standards listed above.	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	Designing and delivering buildings responsibly	Climate Change Mitigation
Renewable energy	Projects relating to renewable energy, such as the investment, installation and deployment of on-site renewable energy generation sources operating at lifecycle emissions of less than 100g CO_2/kWh e.g. solar and wind systems. In addition, projects relating to off-site renewable energy generation e.g. wind, biogas and geothermal.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	Designing and delivering buildings responsibly & Managing assets responsibly	Climate Change Mitigation

Categories for Eligibility	Description of Criteria	Alignment to UN Sustainable Development Goal	Alignment with the Group's Strategic Responsibility Priorities	Linkage to "Environmental Objectives" per the EU taxonomy Regulation
Energy efficiency	Projects relating to energy efficiency which lead to at least a 20% improvement in energy efficiency of the building or space. This can include the adoption of systems for optimising energy management in new and existing buildings, such as building management systems (BMS), new installations or upgrades to mechanical, electrical and lighting systems and new installations or upgrades to HVAC systems. This also includes insulation and facades which allow for improved natural light and passive ventilation e.g. openable windows.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Managing assets responsibly	Climate Change Mitigation
Climate change adaptation	Project works relating to climate change adaptation, for example the installation and upgrades of enhanced flood protection systems or additional insulation to strengthen building resilience to climate change impacts such as extreme weather events and natural disasters. Prior to commencing such projects, Derwent will conduct (or have a third-party conduct) a climate risk assessment to determine the needed enhancements for climate change adaptation and resilience purposes.	13 CLIMATE ACTION	Designing and delivering buildings responsibly & Managing assets responsibly	Climate Change Adaptation
Pollution prevention and control (waste management)	Projects relating to pollution prevention and control, such as the installation of waste facilities, systems and equipment that are used for the collection and separation of waste which allows for higher levels of recycling and recovery.	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Managing assets responsibly	Pollution prevention and control
Clean transportation	Projects relating to improving accessibility to clean transport, such as electric vehicle charging points, bicycle racks, bicycle lifts and associated facilities e.g. showers and bike stands.	11 SUSTAINABLE CITIES AND COMMUNITIES	Managing assets responsibly	Climate Change Mitigation
Sustainable water and wastewater management	Projects relating to sustainable water and wastewater management, such as sustainable urban drainage systems (SUDs), wastewater recycling, and installation of water treatment systems and equipment which improve water efficiency, such as solenoid valves, low flow taps, and leak detection systems.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	Managing assets responsibly	Sustainable use and protection of water and marine resources

See appendices 1 and 2 for case studies on a selection of green projects.

Qualifying Expenditure on Eligible Green Projects

Expenditure on EGPs will qualify for inclusion as qualifying green expenditure as follows:

1. Projects under development or refurbishment at the date of funding of a GFT, where the projects and their related rights are still owned by the Group. This includes expenditure incurred in the look back[1] period preceding the date of funding of a GFT; or
2. Projects commencing during the term of a GFT and where the projects and their related rights are still owned by the Group; or
3. Where a new GFT is refinancing an existing GFT, the EGP balance of the existing GFT can be transferred into the new one and shall qualify for refinancing without a specific look back period.

subject, in each case, to paragraph 3.3, sub-section (Disposal of EGPs) below.

[1] see glossary

3.2 Project Evaluation and Selection

Prior to the commencement of a project, capital expenditure incurred by the Group requires approval by the Cost Committee, Executive Committee or main Board in accordance with specified tiers of delegated authority limits. In addition, before approval is given to a development or major refurbishment project, it is also appraised to assess the financial returns likely under a number of scenarios, a full risk assessment is produced and the benefits to, or impact on, other stakeholders is considered.

As part of the approval process, each project will be reviewed by the Head of Sustainability and the Treasurer to determine whether to elect the project as an EGP. Following this, the Head of Sustainability will confirm compliance with the guidelines included in this Framework to determine whether it follows the list of eligible categories as set out in section 3.1. To monitor the ongoing progress of each new development or major refurbishment project and any associated environmental risks, each eligible project is required to have a Project Sustainability Plan, which is a requirement set out in the Responsible Development Framework. For other projects, this forms part of the relevant building's sustainability plan. Approved budgets and actual spend on EGPs that meet the GLP criteria are then tracked and reported internally and included on the register of EGPs. External reporting and monitoring requirements to be met are set out in section 3.4.

3.3 Management of Proceeds

Funding for Derwent's EGPs comes from a number of sources, including the proceeds of any eligible green borrowings from GFTs. These may include debt drawn from the Group's green bank facilities, green revolving credit facilities ("RCFs") or green bonds.

Once the Group's funding requirements have been established and planned uses split between EGP and other 'non-green' uses, funds will be drawn through the GFTs to finance only the qualifying expenditure on EGPs or to refinance expenditure on green projects which has previously been funded from other sources.

For green RCFs and loans, the Group will ensure that it owns projects in relation to which there is an excess of spend on EGPs over the amount of drawn borrowings from these GFTs. For green bonds, the allocation of proceeds from a green bond instrument is expected within 24 months from the date of funding, subject to the Disposals of EGPs section noted below.

Any unallocated surplus funds from GFTs will be managed by the Group's Treasury function; they may be used to repay revolving credit facilities (including green RCFs), placed on short-term fixed interest deposits or on the overnight money markets with counterparties that comply with the Group's Treasury policy.

Derwent will identify the specific EGPs which are being funded by GFTs and keep a record of the running total of such expenditure incurred to date. It will ensure that the amount of qualifying green expenditure on the portfolio of EGPs which are still owned by the Group will be greater than the combined amount of drawn green borrowings under all the GFTs, subject to the allocation period noted above for green bond proceeds.

Disposals of EGPs

From time to time, and in accordance with its well-established business model, it is expected that the Group will dispose of buildings (or other EGPs) that were part or fully financed by GFTs. When this occurs, any EGP expenditure will be deducted from the running balance of qualifying expenditure at the point at which the sale completes. If this takes the balance of qualifying expenditure below the amounts drawn under GFTs, the qualifying expenditure will be topped up within 24 months or as soon as reasonably practicable.

Subject to the above and in line with the Group's management of proceeds, Derwent will ensure that amounts drawn under GFTs will remain fully allocated to sufficient EGPs.

3.4 Reporting

Allocation approach
In line with the principles set out in the LMA Green Loan Principles and ICMA Green Bond Principles, we will annually disclose the allocation of the net proceeds of all GFTs within each annual Report and Accounts.

In addition, where required by a GFT, we will provide an annual report to the relevant green finance providers no later than 180 days after each year end. The disclosure will, as a minimum, cover the following:

- A list of the projects within the portfolio of EGPs benefiting from the green funding element which follows a list of eligible categories as set out in section 3.1 of this Framework.
- A short description, expected completion date, impact reporting indicator selected and green credentials of each project.
- The green funds allocated in aggregate to the portfolio of EGPs and, where relevant, an indication of the proportion of new finance versus refinance. The look back period applied to those amounts refinanced will also be disclosed.
- A statement of the remaining balance of unallocated funds.
- A statement confirming that projects and their related rights are owned in relation to which there is an excess of spend on the portfolio of EGPs over the amount of drawn borrowings from GFTs, subject to section 3.3 Management of Proceeds and Disposals of EGPs.
- We will provide a summary of all the projects which benefit from the green funding element and will show how the Group has funded such expenditure in accordance with the Group's business model.

Impact performance reporting
We believe it is important that we demonstrate to our stakeholders the impact of the green funding on our portfolio. Therefore, where feasible and reasonably practicable, we will periodically provide qualitative and quantitative environmental performance reporting of the EGPs. This will be provided for each of the 'Categories for Eligibility' set out in 3.1 Use of Proceeds above and may include one or more of the following estimated Impact Reporting Metrics, as recommended under the Harmonized Framework for Impact Reporting:

- Building certification achieved (system & rating).
- Energy intensity against industry benchmarks (kWh/m^2).
- Carbon emissions intensity reduction compared to previous baseline (t CO_2e/m^2).
- Water consumption intensity against industry benchmarks (m^3/m^2).
- Percentage of construction and demolition waste diverted from landfill (%/year).

The above list is not exhaustive and may change over time. Each project may not necessarily report against all indicators, however the performance indicator(s) chosen for reporting will be appropriate to the project type.

We will report on the impact of our EGPs and, where practicable, state whether the performance is expected or actual in the annual Responsibility Report, recognising that it may take some time for the relevant data to become available. It will then be validated and analysed against the appropriate indicators.

4.0 REVIEW

4.1 Second-Party Opinion

Derwent has obtained an external review of this Green Finance Framework, and confirm its alignment with the LMA Green Loan Principles 2021 and ICMA Green Bond Principles 2021.

This Second Party Opinion document is available in the relevant section at www.derwentlondon.com.

4.2 Post Issuance External Verification

To ensure we are taking a robust approach to the management, measurement and reporting of the green element of our GFTs, we will include a review in our annual non-financial audit assurance programme which will be published within our assurance statement in our annual Responsibility Report. In addition, we will ask our assurance provider to provide reasonable assurance on the relevant information contained in our annual reports and assess:

- The compliance of assets financed by the green loan/bond proceeds with eligibility criteria defined in the use of proceeds section in this Framework.
- Allocated amount related to the portfolio of EGPs financed by the GFTs.
- The management of proceeds and unallocated proceeds amount.

5.0 AMENDMENTS TO THIS FRAMEWORK

We will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Derwent and an External Reviewer. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures.

80 Charlotte Street W1

Completion date: 2020

Size: 377,000 sq ft

Categories for eligibility: Green building, criterion 1 of section 3.1

Impact reporting indicators: Building certification achieved (system & rating)

Green credentials:
Achieved:
BREEAM - Excellent
EPC - B

Expected:
LEED - Gold, on target

Soho Place W1

Expected completion date: 2022

Size: 285,000 sq ft

Projected cost: £405m

Categories for eligibility: Green building, criterion 1 of section 3.1
(excludes Site B - Theatre)

Impact reporting indicators: Building certification achieved (system & rating)

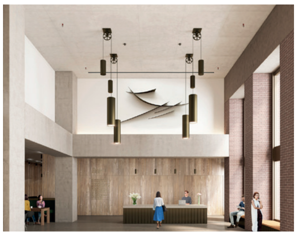
Green credentials:
Site A
Achieved:
BREEAM - Outstanding (design stage)

Expected:
BREEAM - Outstanding (post construction) on target
LEED - Gold , on target
EPC - B, on target

Site B - Offices (excluding theatre)
Achieved:
BREEAM - Excellent (design

Expected:
BREEAM - Excellent (post construction) on target
EPC - B, on target

The Featherstone Building EC1



Expected completion date:	2022
Size:	125,000 sq ft
Projected cost:	£143m
Categories for eligibility:	Green building, criterion 1 of section 3.1
Impact reporting indicators:	Building certification achieved (system & rating)
Green credentials:	Achieved: BREEAM - Outstanding (targeted) Expected: BREEAM - Outstanding (post construction), on track LEED - Platinum, on target EPC - A, on target

APPENDIX 2 - CASE STUDY: GREEN REFURBISHMENT PROJECT

Green Tea, Tea Building E1

‘Green Tea’ is an ongoing rolling refurbishment programme at the Tea Building, designed to help improve the building’s energy efficiency and reduce its carbon footprint.

The approach
Our strategy is to provide comfortable and flexible working conditions that will be sustained through intelligent energy conservation. This approach reduces consumption by about 25% of the previous energy usage in three stages:

Stage 1: Double glazing & insulation

- New double glazed, openable windows with solar control to reduce heat gain
- Natural ventilation
- Roof insulation

Stage 2: Lighting

- Low energy LED light fittings
- Movement detection in common areas

Stage 3: Thermal loop

- Moves excess heat to cold areas
- Moves excess coolness to hot areas

Categories for eligibility

- Green building, criterion 1 and energy efficiency of section 3.1

Impact reporting indicators

- Building certification achieved (system & rating)
- EPC rating

GLOSSARY

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

Eligible Green Projects (EGPs)
Green Projects that meet the eligibility criteria as set out in section 3.1 Use of Proceeds.

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

Green Bond Principles (GBP)
The GBP are the internationally recognised voluntary issuance guidelines that promote transparency, disclosure and reporting in the green bond market.

Green Financing Transaction (GFT)
Any type of loan instrument, including public bonds, private placement notes and revolving credit facilities, made available exclusively to finance or re-finance, in whole or in part, new and/or existing Eligible Green Projects.

Green Loan Principles (GLP)
The GLP comprise voluntary recommended guidelines, to be applied by market participants on a deal-by-deal basis depending on the underlying characteristics of the transaction, that seek to promote integrity in the development of the green loan market by clarifying the instances in which a loan may be categorised as "green".

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

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

Look back period
A period in which expenditure has been incurred prior to management's approval of the project as an EGP. If assessed by management as contributing to the EGP, expenditure incurred in this look back period can be included as qualifying expenditure.

Real Estate Investment Trust (REIT)
The UK Real Estate Investment Trust ("REIT") regime was launched on 1 January 2007. On 1 July 2007, Derwent London plc elected to convert to REIT status.

The REIT legislation was introduced to provide a structure which closely mirrors the tax outcomes of direct ownership in property and removes tax inequalities between different real estate investors. It provides a liquid and publicly available vehicle which opens the property market to a wide range of investors.

A REIT is exempt from corporation tax on qualifying income and gains of its property rental business providing various conditions are met. It remains subject to corporation tax on non-exempt income and gains e.g. interest income, trading activity and development fees. REITs must distribute at least 90% of the Group's income profits from its tax exempt property rental business, by way of dividend, known as a property income distribution. These distributions can be subject to withholding tax at 20%.

If the Group distributes profits from the non-tax exempt business, the distribution will be taxed as an ordinary dividend in the hands of the investors.

Science Based Target initiative (SBTi)
SBTi is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi defines and promotes best practice in science-based target setting and independently assesses and approves companies' targets. Science-based targets provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions.

GLOSSARY

UN Sustainable Development Goals
The United Nations Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. The goals are wide ranging yet interdependent, with each goal having a list of targets that are measured against a set of key performance indicators.

US Private Placement (USPP)
A form of private bond funding regulated in the United States of America.