RESPONSIBILITY

Derwent London is committed to ensuring our business demonstrates high standards of integrity, transparency and safety, whilst ensuring our offices are designed, delivered and operated responsibly, to minimise our carbon footprint.

	WHY
ENVIRONMENTAL (PAGE 52) The built environment has an important role to play in addressing climate change, from design to delivery and operational management	
1. DESIGNING & DELIVERING BUILDINGS RESPONSIBLY Ensure a responsible approach is considered and implemented at every stage of the design and delivery of our projects, including a rigorous appraisal of retrofit versus redevelopment	Well-designed, thoughtfully delivered real estate can have a positive impact on the environment on a whole-life basis and on local communities. Our portfolio energy reduction targets are aligned with a 1.5°C climate scenario, minimising our operational carbon footprint.
2. MANAGING OUR ASSETS RESPONSIBLY Ensure our assets are managed and maintained in a responsible manner in order to maximise their efficiency	As a responsible business, we proactively seek to comply with forthcoming environmental legislation, gaining first mover advantage. This is good business, as well as the right thing to do. In addition, we partner with organisations to progress initiatives such as the Westminster City Council (WCC) Sustainable City Charter.
SOCIAL (PAGE 57)	
3. CREATING VALUE IN THE COMMUNITY Develop and maintain strong relationships with the communities in which we operate	As a long-term investor, we recognise that the success of our buildings and a collaborative approach has a positive social impact and helps support our communities.
4. ENGAGING & DEVELOPING OUR EMPLOYEES Maintain a working environment that encourages continuous personal development, promotes diversity and recognises and nurtures high performance	Our employees are key to our success. Investing in their wellbeing and progression as well as nurturing the next generation of talent helps our performance.
5. ENSURE THE HIGHEST STANDARDS OF HEALTH & SAFETY Maintain and operate a robust approach to health, safety and fire risk management	Working with our supply chain and industry peers we are leading the way in minimising risks and promoting a safe working environment. Our Responsible Business Committee monitors our corporate responsibility, sustainability and stakeholder engagement activities.
6. PROTECTING HUMAN RIGHTS Ensure we support, respect and protect the human rights of our employees, occupiers and those that work in our buildings and supply chains	
GOVERNANCE (PAGE 65)	
7. SETTING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE Ensure we operate ethically and in a responsible manner with high levels of transparency and accountability	Acting in a fair and responsible manner is a core element of our business running through all levels including the Board.

OUR SEVEN ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) PRIORITIES

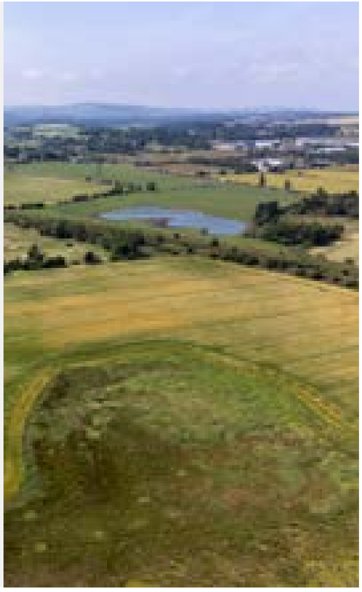
Our Responsibility Policy and Strategy (available on our website) sets out what operating responsibly means to us. There are seven long-term priorities intrinsic to our business and the needs of our stakeholders.

HOW

We are committed to:
- Stretching **embodied carbon** targets through intelligent design, innovative material selection and outside-the-box thinking ('long-life, low carbon')
- **Offsetting** any residual with high quality carbon credits from projects that have a genuine, positive and sustainable impact

We are:
- **Collaborating** with occupiers and our supply chain to reduce consumption
- Purchasing energy on **green tariffs**
- Investing in **self-generation** solar projects on our Scottish land
- Advancing **green leases** for responsibility and collaboration

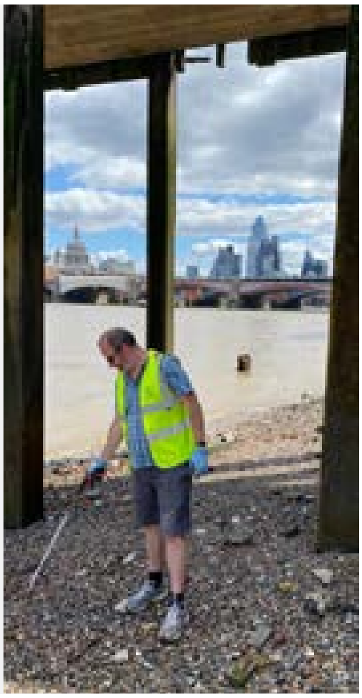
We were the first UK REIT to:
- Publish a **Net Zero Carbon Pathway** and have subsequently reduced energy intensity by 22% since 2019
- Agree a **Green Revolving Credit Facility** and we have issued a £350m Green bond and invested £627.9m in green capital expenditure
- Commission and implement a fully **costed EPC upgrade strategy** with a phased programme of delivery now underway



We are committed to:
- Ongoing support for charities and social groups through our long-running **community funds** and our **Sponsorship and Donations Committee**
- Increasing the **social value** created through our regeneration activities and publishing **social impact studies**
- Proactively engaging with the GLA and other London boroughs to develop a leading **social value charter** to monitor the post-development social impact

We provide:
- Ongoing vocational and compliance **training** as well as mentoring
- Opportunities for **interns and students** from diverse backgrounds to experience the potential of a career in real estate
- Access to mental and physical **wellbeing** services
- **Financial support** for those experiencing hardship, e.g. a one-off cost of living payment in 2022

Our Health and Safety team has:
- Launched a **cross-sector benchmarking** and data sharing initiative in conjunction with some of our peers
- Spearheaded a project to **share best practice** policies with our peer group
- Sought to **empower** employees and contractors to speak up and speak out



We act to ensure:
- **Remuneration** is clearly linked to sustainability outcomes
- **Accountability** is demonstrated throughout the organisation
- We proactively adopt **new and emerging legislation**
- The **human rights** of our supply chain are respected
- Our actions are **independently reviewed** through third party assurance
- Our staff have access to a **whistleblowing** system

ENVIRONMENTAL

INCORPORATING THE RIGHT ENVIRONMENTAL AND CLIMATE CHANGE MEASURES ACROSS OUR BUSINESS ENABLES US TO OPERATE RESPONSIBLY.

2022 HIGHLIGHTS

- Energy intensity reduced 4% in 2022 to 123 kWh/sqm
- We contributed to the BCO report on changes to Building Specification Guidelines
- We completed two major projects designed as low carbon buildings aligned with 2025 embodied carbon targets, plus several smaller refurbishments
- We partnered with Westminster City Council on the launch of its Sustainable City Charter

MORE INFORMATION CAN BE FOUND IN THE RESPONSIBILITY REPORT

-4%

annual reduction in managed portfolio energy intensity

-16%

annual reduction in managed portfolio gas consumption

98%

managed portfolio on REGO-backed electricity contracts

Climate change

Climate change is a material issue for society, our sector and our business. In 2020 we published our Net Zero Carbon Pathway which is aligned to the Better Building Partnership (BBP) Climate Change Commitment. This sets out how we intend to reduce our impact on the climate, while recognising it is not realistically attainable to reduce our carbon emissions to zero. Our business model of office regeneration and operation will, by its nature, result in the emission of embodied and operational carbon across Scopes 1, 2 and 3. However, we have set ambitious targets to reduce our carbon footprint, minimising the residual. We disclose in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and reporting frameworks.

Net Zero Carbon Pathway

As part of our commitment, we analyse our activities to ensure we are reducing our carbon footprint across all our spheres of influence. Our pathway focuses on four principal areas:

- Reducing operational energy and carbon emissions through setting annual reduction targets and engaging with our occupiers
- Procuring and investing in renewable energy
- Reducing the embodied carbon of our future pipeline
- Offsetting residual carbon emissions we cannot eliminate

The Group reports annually on its progress towards net zero by 2030. A brief outline of our 2022 progress is set out on page 56 and a more detailed review can be found in our Responsibility Report. Additionally, since 2018, we have disclosed our energy performance at portfolio and individual asset levels, as well as the embodied carbon of our latest developments.

Science Based Targets

In line with our Net Zero Carbon Pathway, we are looking to rebase our existing corporate-level Science Based Target initiative (SBTi) approved targets to a 1.5°C climate warming scenario. This will bring them in line with our property-level energy targets which are already aligned to this scenario.

As part of this rebase, we will also change our target from a Scope 1 and 2 like-for-like landlord emissions basis to absolute (tenant and landlord) consumption from our managed portfolio. Our new targets will align with UK Green Building Council (UKGBC) targets, and consequently will be compliant with Carbon Risk Real Estate Monitor (CRREM) and SBTi agreed real estate pathways.

The Group has made good progress in emissions reductions to date. In 2022, emissions were 10% lower than in 2021 and 65% lower than the 2013 baseline, both of which are ahead of target.

Energy Performance Certificates

At 31 December 2022, our portfolio was 100% compliant with forthcoming changes to Minimum Energy Efficiency Standards (MEES) which require an EPC of E or higher. MEES rules are due to become stricter in 2027 with a minimum requirement of EPC C or better. From 2030, it is expected that there will be a further change to a minimum EPC B or better. Including on-site projects, our portfolio is 85.7% 2027 compliant by ERV (2021: 78.1%) and 65.3% 2030 compliant (2021: 61.0%).

Our latest EPC upgrade cost estimate to achieve 2030 compliance is £99m after adjusting for post year end sales. See page 14 for more details.

Development pipeline

Commitment

New developments and major refurbishments will be net zero carbon on completion. The residual embodied carbon produced in the development process that we cannot manage out or eliminate through proactive use of lower carbon materials and methods of construction, will be offset using robust, verified carbon offset schemes. The buildings will be operated using renewable energy via tariffs and have appropriate energy reduction targets in place, aligned with our Net Zero Carbon Pathway.

Progress

Our Responsible Development Framework was updated in 2021, setting out the minimum net zero requirements for our developments.

Significant changes must be made by the whole industry over the next decade if we are to meet our collective net zero ambitions. When setting standards for our pipeline projects, we therefore place substantial emphasis on stakeholder engagement and collaboration to strengthen our impact.

- **Operational carbon** – We work with our building services engineers and sustainability consultants to avoid over-specification of buildings.
- **Embodied carbon** – We partner with smaller contractors to advance the industry, in particular estimating embodied carbon of building services.
- **Industry bodies** – In 2022 we sponsored a report by the WPA, 'Retrofit First, not Retrofit Only', in which carbon assessment is placed on an equal footing with other design parameters to inform the optimal 'retrofit versus new build' solution.

In 2022, we worked closely with the British Council for Offices (BCO) to inform and update the key design criteria in its Guide to Specification. These revisions are intended to discourage overprovision and support the shared drive towards net zero carbon. Two of the proposed key specification changes are to: 1) reduce base case workplace density from 8-10 sqm to 10 sqm (lower embodied and operational carbon), and 2) lower small power allowance from 100W per work setting to 60W (lower operational carbon).

Embodied carbon targets

The embodied carbon assessments of our projects are performed using 'Cradle-to-Completed Development (A1-A5)' methodology (refer to our Embodied Carbon Assessment Brief at www.derwentlondon.com). The 'Completed Construction' stage of delivery can be either 'Shell and Core' or 'Cat A' depending on commercial negotiations with occupiers and may differ by project.

A development's embodied carbon, particularly the building's structure, comprises a significant part of our overall carbon footprint. We work closely with our design and construction teams to assess and reduce this, as well as working with our supply chains, which we recognise will need to adapt to fully achieve our aims. Our targets for Commercial Office New Build developments, which align with the Greater London Authority's (GLA) targets, are based on our own experiences and industry guidance, and phased as follows:

- Completing from 2025: $\leq$600 kgCO_2e/sqm
- Completing from 2030: $\leq$500 kgCO_2e/sqm

Our on-site projects at 25 Baker Street W1 and Network W1 are being delivered to align with our 2025 target.

RETROFITTING SMALLER BUILDINGS

At 43 Whitfield Street W1, the Asset Management team identified a Furnished + Flexible solution as being the best opportunity when 11,000 sq ft across four floors became vacant.

As well as fully fitting the office floors and enhancing end of trip amenity provision, the retrofit has modernised the building's green credentials by taking the services all electric and upgrading windows from single to triple glazing. This resulted in an EPC rating improvement from D to B, helping future-proof the space against evolving environmental legislation.

The response from the leasing market was strong, with the space fully let within two months of practical completion, ahead of our appraisal assumptions. The letting terms also outperformed expectation, with two new occupiers each taking two floors on 10-year leases with breaks at year 5 and rents at an attractive premium to ERV. Feedback from the occupiers confirmed that proximity and access to DL/78 played an important part in their decision making.

ENVIRONMENTAL continued

Investment portfolio

Commitment

Our investment portfolio will be operated on a net zero carbon basis by 2030. This involves driving down our energy consumption significantly, upgrading and retrofitting some of our properties to remove gas use and improve efficiency, as well as collaborating with our occupiers.

Progress

Scope 3 emissions (see glossary) form a significant part of our carbon footprint. The results of our net zero carbon occupier survey in 2021 showed clearly that our occupiers are at different stages of their journeys. This survey was for many the important first step in working together with us.

In 2022, we increased our occupier engagement strategy. This details the process of how we aim to engage with new and existing occupiers, building on the many relationships our Asset and Property Management teams have with tenants at all levels through their organisations.

The process of reaching out to occupiers who responded to our net zero carbon survey is well underway, providing the opportunity to improve collaboration and deliver outcomes aligned with our mutual net zero aspirations.

We are taking a tailored and flexible approach to support our occupiers on their sustainability journey by:

- Progressively upgrading green lease clauses;
- Rolling out Intelligent Building infrastructure across our managed portfolio;
- Providing energy data to occupiers alongside recommendations to reduce energy usage;
- Organising Green Forums for occupiers, including best practice sharing;
- Providing input into environmental certifications – e.g. 'B Corp';
- Issuing guidance notes on energy and water reduction; and
- Holding behaviour change events such as Recycling Awareness days.

In 2023, we will continue to develop engagement with our occupiers to further reduce operational energy usage, increase recycling levels throughout the portfolio and better communicate good practice across the business.

As we embed sustainable practices across the business, we have developed and rolled out a Net Zero Carbon Action Plan for each building within the managed portfolio. These plans provide a clear benchmark for measuring performance against our energy, water and waste reduction targets, and are designed to encourage building managers to take a proactive approach to monitoring.

2022 RATINGS

GRESB (Global Real Estate Responsibility Benchmark) 2022 – Green Star status, 'A' rated public disclosure (100/100), Development 5 Star (94/100), Standing Assets 4 Star (82/100)

MSCI – 'AAA' rating

CDP 2022 – Climate change 2022 'B' rating

EPRA Sustainability Reporting Award 2022 – Gold award

ISS Oekom – Prime status

PROPERTY MANAGEMENT ACTIVITIES

Supply chain awareness

Good sustainability practices among the suppliers that help maintain our properties is an important part of our net zero pathway. In 2022, we worked with our key services suppliers, such as cleaning, front of house and security, to embed sustainability standards into our contracts. An example of this is the requirement for our cleaning suppliers to have ISO 14001 certification and evidence of their own net zero pathways which includes a commitment to using sustainable cleaning products and energy efficient equipment that can be responsibly disposed of at the end of life.

Portfolio-wide energy reduction

In addition to building-specific works, we have identified and are implementing a number of portfolio-wide measures to reduce energy consumption. Some of these initiatives are the installation of long-life, energy efficient LED lighting sources in all common areas and Passive Infrared (PIR) sensors to switch off lighting when spaces are not in use. We are also adjusting temperature set points in common areas to reduce consumption. We are carrying out Building Management System energy health checks across the portfolio to identify other opportunities to improve building energy efficiency.

Water management

Part of our journey to net zero carbon is reducing water consumption. To help keep managed portfolio annual consumption below our target of 0.5m^3 per sqm floor area, we have introduced a Water Management Guide that sets out our strategy for reducing water consumption and reviewing our performance.

90 Whitfield Street W1

Corporate activities

Commitment to renewable energy

Our commitment is to ensure that all the energy we procure, both electricity and gas, is from renewable sources.

Progress

In 2021 and 2022, we procured 97% (restated for additional data capture) and 98% Renewable Energy Guarantees of Origin (REGO) backed electricity respectively. Following a comprehensive contract review in 2022, 100% of contracts up for renewal were switched to a Renewable Green Gas Origin (RGGO) tariff and 79% of gas used in 2022 was procured on these tariffs. Together, 92% of energy (electricity and gas combined) purchased in 2022 was on green contracts.

A key milestone in 2022 was the receipt of resolution to grant planning consent for an 18.4MW solar park on our Scottish land at Lochfaulds Farm. Our appraisals suggest this could provide in excess of 40% of the electricity needs of our managed portfolio when operational based on 2019 consumption levels. We are currently finalising plans for this exciting project.

Commitment to offsetting

Where we are unable to manage out or eliminate carbon – operational or embodied – from our business activities, these emissions will be offset using robust, verified carbon offset schemes. We plan ahead for our regeneration projects which may involve the forward purchase of carbon credits.

Progress

The following refurbishments, and their associated embodied carbon value, were completed in 2022.

- Francis House SW1 – 1,280 tCO_2e
- White Chapel Building E1 – 143 tCO_2e
- Tea Building E1 – 172 tCO_2e
- 43 Whitfield Street W1 – 94 tCO_2e
- 90 Whitfield Street W1 – 230 tCO_2e

The residual carbon was offset through our provider Climate Impact Partners in a scheme related to reforestation projects in East Africa which is validated under the Verified Carbon Standard (VCS) and the Climate, Community and Biodiversity Standard (CCB).

We are also looking at offsetting opportunities across our Scottish portfolio. Having received the first carbon credits last year from our 2015 tree planting scheme in Scotland, we have progressed our tree planting feasibility study and intend to plant c.85Ha over the next two years. In addition, a further c.240Ha of land has been identified as potentially suitable for planting, subject to further appraisals.

ENVIRONMENTAL continued

Environmental performance in 2022

Carbon

Our operational carbon footprint (location based – see pages 69 and 70) has reduced by 7% from 2021. This is due to active reductions across the portfolio, as well as further decarbonisation of the grid.

We account for 100% of embodied carbon in the year an eligible project completes. In 2022, we completed three major projects and several smaller ones. Consequently, our embodied carbon footprint was significant at 32,869 tCO_2e. This comprises the largest portion of our total carbon footprint when included. Refer to page 53 for details on how we are tackling embodied carbon.

Energy

Overall energy consumption decreased by 3% from 2021, with our managed portfolio energy intensity reducing by 4%. This means we have achieved our 1.5^{0}C aligned energy intensity target for 2022. On a more granular level, our gas consumption decreased by 16% year-on-year, which in part is as a result of a generally warmer winter, but also a significant effort to switch off gas boilers entirely during summer months.

Our landlord electricity usage reduced by 1% from 2021, due to commencing portfolio-wide initiatives such as rolling out PIR sensors and LED lighting, as well as increasing temperature set points during summer months and reducing them in winter. Tenant electricity consumption increased by 5%.

Water

Water consumption increased significantly from last year, likely as the result of increased occupancy. Whilst this remains a small part of our carbon footprint (<1%), we will be looking to roll out water efficiency initiatives across the portfolio.

Waste

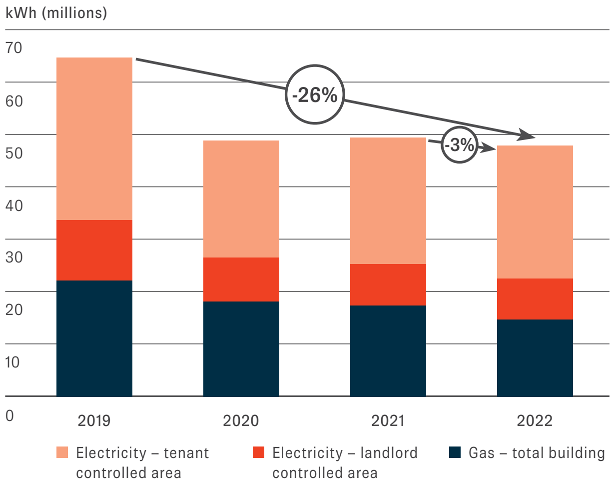
Our total waste generated increased during the year, likely as a result of increased occupancy. Our recycling rate has improved to 68%. Whilst this is a 3% increase from last year, it falls short of our corporate target (75%). We are working closely with our waste contractor and our occupiers to improve this. One such initiative is arranging site visits to our contractor's recycling facility. In buildings where this has occurred, we are seeing an increase in the recycling rate as a result of increased engagement. We have also introduced clauses, as part of our sustainability update to our leases this year, which encourage tenants to utilise our supplier, as well as match on-floor provisions in line with all landlord waste streams.

2023 PRIORITIES

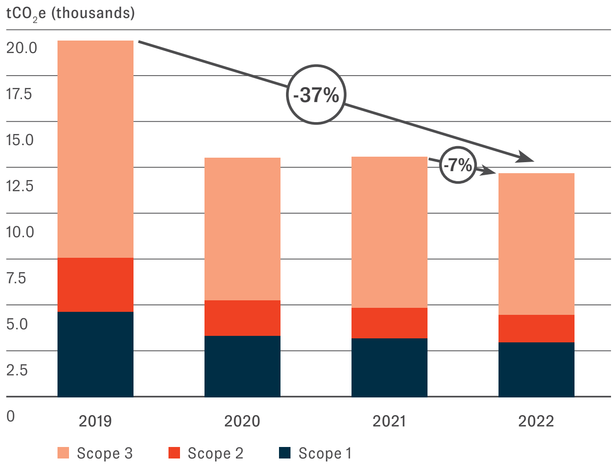
- Progress all electric building transition programme
- Align Net Zero Carbon Pathway with UK's Transition Plan Taskforce
- Convert occupier engagement into reductions in energy consumption
- Rebase our Science Based Target initiative (SBTi) targets to 1.5^{0}C scenario
- Continue to develop our approach to measure our carbon impact

See page 43

Energy usage – electricity and gas



Operational carbon footprint – Scope 1, 2 & 3



SOCIAL

OUR COMMUNITIES, OCCUPIERS AND OTHER STAKEHOLDERS.

We recognise that our buildings are an integral part of the communities they sit within and we strive to create value where possible for all our stakeholders.

2022 HIGHLIGHTS

- Fitzrovia and Tech Belt Community Fund distributions up 20% year-on-year to £120k (and will remain at this level for two more years)
- Three-year funding programme agreed with the Fitzrovia Community Centre
- Worked with external consultants to define our social value framework
- Support given to those affected by the conflict in Ukraine

MORE INFORMATION CAN BE FOUND IN THE RESPONSIBILITY REPORT

SOCIAL VALUE ADDED

+20%

increase in 2022 Community Fund distributions to £120,000

13

Community Fund projects supported in 2022

£354k

amounts committed by the Sponsorship and Donations Committee in 2022

Derwent London staff and occupier volunteering

Working with our community stakeholders

The goal of our community engagement is to support local groups in the communities in which we operate and ensure that our business recognises the role it plays. Our engagement takes many forms to maximise the positive impact on local communities.

Financial support, through our corporate giving and community funds, is important. We place equal value on actively supporting and being part of communities so we can make a real impact. Employee volunteering, work experience opportunities and building open days have all contributed to establishing and maintaining effective connections.

Engaging in collaborative conversations with the organisations we work with refreshes our focus and ensures we are addressing the aspirations of our communities in an inclusive manner.

Social value framework

We recognise the positive impact real estate can have on communities. In 2022, we began working with Envoy Partnership, an external social value and impact management consultancy, to formalise our social value framework. We expect this work will complete and be implemented in 2023. See our Responsibility Report for more details.

Community funds

Derwent London operates two community funds: Fitzrovia and West End (founded in 2013) and the Tech Belt (2016). The key priority of the funds is to support and create value in the local community by providing funding for a variety of grassroots projects with a focus on community events, environmental improvements, health and wellbeing activities, music and culture, and ongoing help for local groups.

Since inception, we have been introduced to many local groups in both areas of London which has helped broaden our perspectives and better understand the issues affecting local people. Total distributions to date exceed £900,000, with c.150 different projects benefitting. All selected projects aim to support wellbeing, improve people's futures and equip them with skills for life.

SOCIAL continued

In 2021, we asked Chickenshed's Youth Taskforce to review our processes and to refresh our thinking around 'community'. Following this review, we implemented in 2022 a number of positive changes to the funds that make the application process more flexible and inclusive, bringing the beneficiary(s) into a more central role in the project. Examples include:

- Removal of the £10,000 application cap for registered charities;
- Increasing the number of ways to apply for funding (application form, short film, electronic presentation, etc.); and
- Demonstration that the proposed project is responding to a need identified by the prospective beneficiary(s).

Teenage Cancer Trust (TCT) has been a long-term charity partner for the Group and 2022 saw the return of the TCT fundraising lunch, the first since 2016. As well as being shown some of the hugely positive outcomes of the work TCT does with teenage cancer patients, a total of £245,000 was raised including a corporate donation by the Group.

Support for Ukraine

The conflict in Ukraine has impacted the lives of many people across our portfolio: our employees, our occupiers' employees and the communities where we invest. In March, we set up a JustGiving page to support the UK Disasters Emergency Committee's Ukraine appeal and agreed to match donations from across our portfolio. A total of £20,000 was raised from several initiatives, which Derwent London matched.

In addition, we provided support to the Ukrainian Orthodox Church in London. To facilitate its use as a refugee advice and counselling centre, our development team advised on the design and implementation of improvement works to enable basement access. In addition, we provided space within our buildings for use by projects linked to Ukrainian refugees.

2023 PRIORITIES

- Continued funding for the community funds
- Complete our new social value framework and embed this into our community work across the portfolio

See page 17

SUPPORTING UKRAINIAN REFUGEES – TRAFALGAR GIRLS

Trafalgar Girls is a volunteer project set up in response to the conflict in Ukraine. It provides a platform for information and practical help for Ukrainians in Ukraine and Europe including the United Kingdom. All the help is provided person-to-person or volunteer to person/people.

A key initiative launched in July 2022 was a six-month online mentoring project for newly arrived Ukrainian refugees in all corners of the UK. In October 2022, Derwent London provided the rooftop space at White Collar Factory EC1 for Trafalgar Girls to host an in-person mentoring event. A total of 40 women, split evenly between mentees and mentors, attended with mentees highlighting the many benefits they got from meeting their mentors and other women experiencing similar situations face-to-face.

FITZROVIA COMMUNITY CENTRE

We have supported the Fitzrovia Community Centre (FCC) through our Community Fund for several years, whether that be the refurbishment of their courtyard garden, their community arts projects or health and wellbeing activities. In 2022, we entered into a new three-year agreement with FCC, which celebrated its 10th anniversary, recognising its commitment to restoring community wellbeing and social connections. We are pleased to be able to support its ambitious plans, based on feedback from local people, to place it at the heart of the community and to welcome local residents of all ages to take part in a variety of events such as arts and craft activities, family play, dance and exercise classes.

"We bring together people, organisations and businesses to share, learn and contribute to a brighter, more connected future."

DONNA YAY
Centre Director

OUR PEOPLE

We aim to attract, inspire and engage a talented and diverse workforce, one that flourishes and is proud to work for Derwent London.

2022 HIGHLIGHTS

- Held third offsite company awayday
- Five new apprentice opportunities created and recruited
- Strong results for internal 'pulse survey' measuring employee satisfaction and engagement
- Supported employees with a financial awareness session and a targeted cost of living payment

17

internal promotions during 2022

88%

employee retention rate

91%

"I am proud to work for Derwent London"

£1,000

one-off cost of living payment for eligible employees

Attracting and optimising talent

We recognise that the success of Derwent London, the execution of our strategy and delivery of above average long-term returns, stem from the top talent we employ. We aim to create a culture which enables our exceptional and diverse workforce to thrive and where people feel they can be their authentic selves and have a voice. Employee feedback and regular performance conversations with line managers are encouraged, in addition to formal semi-annual reviews.

The Group supports our employees with their ongoing development and career progression. In 2022, there were 17 internal promotions including four new Executive Committee appointments. There were also several internal lateral moves as part of our continued efforts to grow, upskill and develop talent from within.

Employee retention, excluding retirements, remains very high at 88%. 46% of our employees have been with the Group for five or more years, and 24% for at least 10 years. This provides the business with a high level of continuity and knowledge, balanced with fresh ideas, experience and skills. In 2022, 45 people were recruited externally, of which approximately half were new positions.

We continue to focus on building a long-term talent pipeline and, as a result, have regular succession planning discussions. To facilitate this, we invest significantly in our employees, with comprehensive learning and development programmes catering to behavioural and technical needs at all levels. These include a suite of core skills training workshops, our induction programme, internal technical workshops, one-to-one coaching and mandatory compliance training (see page 171). These were well received and we will continue to build on this upskilling programme in 2023.

We believe that coaching is valuable for individual development and is something we have provided for a number of years. In 2022, we decided to expand this and engaged an Executive Coach to work alongside our Asset Management team – see page 61 for further details.

It is not only about investing in existing talent. For the real estate industry to appeal to a broader cross-section of society as a fulfilling place to work, creating opportunities for people from different backgrounds is important. We created five new apprenticeship positions within our Building and Facilities Management Teams and are using the Apprenticeship Levy to support them in achieving their Level 2 Certificate in Facilities Services.

SOCIAL continued

Health and wellbeing

We believe that our people are most productive when they are physically and mentally thriving and socially connected. We work hard to ensure that our people continue to feel supported. Alongside the suite of employment benefits we offer, our Mental Health First Aiders and Employee Assistance Programme, we have implemented more practical frameworks and tools:

- Following feedback from our 2021 employee survey, we launched a new 'Smart Working' policy in April 2022 which offers a framework that can flex to fit the performance and business requirements of each team and role.
- All employees were offered and encouraged to attend various sessions covering mental and physical health and financial awareness.
- A one-off £1,000 cost of living payment was made to eligible employees.
- Our Social Committee events continued to provide opportunities for employees to connect.

Employee health and wellbeing remains at the top of our agenda for 2023.

Diversity and inclusion (D&I)

Derwent London is a respectful employer that welcomes diversity and promotes equality, acceptance and teamwork. It is important that we create an inclusive workplace in which our people can bring their whole selves to work, feel valued and be able to make a genuine impact and contribution.

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

GENDER DIVERSITY DATA / See page 189

Building on our strong D&I foundation and achievement of the National Equality Standard accreditation in 2021, the Group ran a number of initiatives across three categories during 2022 with the aim of further embedding D&I in our culture:

- **Levelling up** – In addition to continued analysis of our recruitment process outcomes, we participated in several initiatives to promote D&I: 10,000 Black Interns programme (four young people for six weeks); work experience (15 students, from a mix of gender, socio-economic background and ethnicity, for two weeks); and apprenticeships (created five new apprenticeship opportunities).

Participants of the 10,000 Black Interns programme

- **Training** – In addition to role-specific training, we provided guidance and support on a variety of other D&I-related topics, including unconscious bias training, inclusive leadership and disability awareness.
- **Employee support and wellbeing** – We recognise that our employees face a number of challenges, personally and professionally, in the current climate. We provided support in a number of different ways in 2022, including a 'Smart Working' policy and various wellbeing sessions.

Following our focus in this area, we were encouraged to see that 84% of respondents in our 'pulse survey' agreed that 'Derwent London is an inclusive place to work.'

The priorities for 2023 include disability awareness and a focus on inclusion.

Employee engagement

Our culture stems from our values and is a key strength of the business. Our long-term relationships with colleagues and stakeholders are based on inclusivity, collaboration and professionalism. Employee engagement and communication is very important, facilitated by our 'open-door' policy. Having 82% of employees based at our head office, 25 Savile Row W1, enables effective, regular face-to-face interaction. Together with a range of formal and informal communication channels (see page 144), we have a highly engaged workforce.

During 2022, we ensured open lines of communication remained in place to enable our employees to stay connected, whilst feeling valued and supported. Following positive feedback, our CEO-led monthly town hall meetings continued with ongoing knowledge sharing from speakers around the business.

Annually, we use anonymous employee surveys to obtain staff feedback, consisting of a short 'pulse survey' and a full independent survey in alternating years. An employee focus group, comprising individuals from varying departments, gender, ethnicity, age and length of service, were invited to review the results of the 2021 full survey and put forward recommendations to the Executive Committee against which regular progress updates were provided. We achieved a 94% response rate to our 2022 'pulse survey', demonstrating our open culture, which indicated a high satisfaction rate with 91% of respondents 'proud to work for Derwent London', broadly in line with previous years. In addition, 88% of respondents said they were 'able to make a valid contribution to the success of Derwent London'.

INVESTING IN TEAM COACHING

The Group has invested in individual coaching for several years. In 2022, we added team coaching to support our employees as they build internal relationships and to help maximise collective potential.

The Asset Management team was offered the opportunity to work with two external coaches. The modular programme, which included using 360° feedback from the team's main stakeholders, sought to harness the individual strengths in the team, whilst at the same time identifying team objectives, opportunities and encouraging a more distributed leadership approach.

The feedback was positive and further demonstrated the value of continuous development and challenging the status quo.

"Introducing new team meeting behaviours was a first step in growing a sense of psychological safety to promote more challenge and contribution. The team quickly took collective responsibility for their effectiveness, leading to decisions being reached more collaboratively while encouraging individuals to step up, take responsibility and challenge the prevailing norms."

GERALDINE GALLACHER
CEO at The Executive Coaching Consultancy

SOCIAL continued

OUR AWAYDAY

We were delighted to be able to hold our third off site awayday in September 2022 from which employee feedback was positive. The purpose was to promote cross-team collaboration, build relationships, welcome all new joiners and hear an update from the CEO on business strategy and priorities.

The day was full of fun, interactive team building events and we were joined by an inspiring and motivational guest speaker.

2023 PRIORITIES

- Further embed diversity and inclusion, with a particular focus on disability
- Continue to focus on future succession planning and building critical skills
- Provide further health and wellbeing initiatives
- Maintain monthly town hall meetings to ensure full integration of corporate vision, purpose and values
- Take appropriate actions to address opportunities identified from employee surveys

See page 42

HEALTH AND SAFETY

Ensuring the health and safety (H&S) of our employees and buildings is critical to our business. We endeavour to ensure a safe and secure working environment for our people, contractors and customers, through effective risk management.

2022 HIGHLIGHTS

- We jointly launched the cross-sector Real Estate Benchmarking Group
- Issued an accessibility design standard for inclusion in all future regeneration projects
- Introduced H&S Leadership Tour Programme with contractors and service providers
- Introduced Continuous Improvement Group with principal and main contractors

The 'Derwent Way'

The 'Derwent Way' underlines our expectations and standards in health and safety, covering a range of subject matter. This was further developed in 2022 to support the creation of a safety management system, ensuring consistency and quality in procedures and policy.

- **Our aim** is to provide healthy, safe and secure environments for our people, customers and contractors to work, live, visit and relax.
- **Our people** are fundamental to the success of our business, which is why we invest in, and develop, our people to ensure healthy and safe work environments.

Real Estate Benchmarking Group

In April 2022, the cross-sector Real Estate Benchmarking Group, which Derwent London co-founded in 2021, shared its first H&S data peer analysis with its member organisations. This provides valuable information in assessing our position within the sector and for measuring future progression.

Further enhancing our compliance platform

Property H&S compliance remains a top priority. Our current combined commercial and residential property H&S compliance score is 98%, above our target benchmark of >95%. In 2022, the compliance system was updated to incorporate a new accident/incident module, the development of an online permit to work system, whilst also developing the 'Golden Thread' functionality to align the high-rise residential/mixed-use properties with the requirements of the Building Safety Act 2022.

Our H&S approach is centred around three key aspects – people, assets and developments.

People

Everyone we employ, or have a direct influence on at work or with our business activities, deserves to feel safe and healthy. Our culture is focused on the health, safety and wellbeing of our staff, service partners and contractors through a transparent, inclusive approach and strong leadership. For our people to develop their competencies, we have designed an H&S training matrix, benchmarked against our peers, in consultation with internal stakeholders to allocate specific H&S training to job profiles.

Our staff are kept up to date with regular internal and external training on H&S matters which in 2022 included Legal Updates, Property Compliance, Working at Height, Construction Design, Fire Safety, and a suite of e-learning modules. Mishcon de Reya LLP also delivered bespoke 'Legal Update for Directors' training to our Board and Senior Management team. Collectively 58.5 training workdays were completed in 2022.

Two members of staff were trained to become Mental Health First Aiders, taking the total to 15, or one in 12. We also have 12 further employees trained as Mental Health First Aid Champions, which demonstrates our strong direction in challenging the stigma surrounding mental health and neurodiversity.

Assets

Following transfer of the H&S reporting system to RiskWise in 2021, our Scottish assets also adopted RiskWise in 2022, ensuring a consistent approach across our portfolio. To reflect the rural and agricultural activities of our Scottish business, a separate suite of H&S Standards has been developed called the 'Caledonian Way'.

The Property Health Check template has now been integrated into RiskWise, facilitating the annual review process which includes a site health and safety check, as well as traffic management and roof access surveys. All of our directly-managed properties were reviewed in 2022.

Derwent London considers health, safety and wellbeing at every stage of a building's life cycle – from acquisition, development, operational management, leasing and disposal. This requires collaboration with other teams in designing, building, maintaining and operating our buildings safely in line with best practice.

SOCIAL continued

Developments

2022 was a busy year for major schemes with 450,500 sq ft of space completing and 435,000 sq ft on site at year end. The RIDDOR accident frequency rate (AFR) increased to 3.60 from 1.26 in 2021. However, this remains low and our construction projects continue to adopt the highest standards in health, safety and wellbeing.

We have strong relationships with our principal and main contractors, endeavouring to lead by example as an informed and responsible construction client. As well as independent and internal H&S monitoring of our construction sites, we require our supply chain to achieve specific stretching target scores for Construction Logistics and Community Safety (CLOCS) and Considerate Constructors Scheme (CCS). In 2022, all our contractors met or surpassed these targets.

We held our first two Continuous Improvement Group (CIG) meetings with our 'tier one' and 'tier two' principal contractors and will hold further meetings on a quarterly basis. As well as reinforcing the Client H&S standards expectation through the Derwent Way, the CIG provides a forum for sharing construction best practice and education in health, safety and wellbeing. We supported HSE campaigns on mental health, musculoskeletal disorders and respiratory health during 2022.

In July 2022, Build UK and the Civil Engineering Contractors Association (CECA) introduced a new Common Assessment Standard (CAS) to improve efficiency and reduce cost in the construction pre-qualification system. Derwent London was one of the first construction clients to sign up to CAS and incorporate it as a requirement within our tender process.

2023 FOCUS AREAS

- Deliver Fire Safety Management System in line with updated legislation and guidance (Building Safety Act 2022, BS9997 and the Fire Safety Act 2021)
- Develop building safety cases for residential buildings in scope of the Building Safety Act 2022
- Set up Continuous Improvement Group (CIG) for our architects, principal designers and project managers
- Further embed suitable and sufficient H&S competency in key operational aspects of the business, through the Health & Safety Training Matrix
- Develop, with Human Resources, a wellbeing programme for Derwent London in 2023
- Set up an employee forum for disability, safety and health, with representation from across the business, as a member of the Business Disability Forum from 1 March 2023

HEALTH AND SAFETY DATA

The table below details our key health and safety statistics which has been assured (following the ISAE3000 (Revised) standard) by Deloitte LLP to the reasonable level. This data allows us to identify trends and highlights where we should focus.

	Employees		Managed portfolio		Developments	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Person hours worked	**288,000**	266,960	**370,314**	31,960	**833,258**	1,591,416
Minor accidents	**0**	0	**20**	9	**18**	42
Near miss[6]	**0**	n/a	**20**	n/a	**17**	n/a
Lost time injuries[6]	**0**	n/a	**0**	n/a	**2**	n/a
RIDDORs	**0**	0	**0**	0	**3**	2
Dangerous occurrences	**0**	0	**0**	0	**0**	0
Fatalities	**0**	0	**0**	0	**0**	0
Improvement notices	**0**	0	**0**	0	**0**	0
Prohibition notices	**0**	0	**0**	0	**0**	0
Injury rate[1,5]	**0.00**	0.00	**54.01**	0.00	**21.60**	26.39
Lost day rate[2,5]	**0.00**	0.00	**0.00**	0.00	**2.40**	5.66
Severity rate[3,5]	**0.00**	0.00	**0.00**	0.00	**0.11**	0.31
RIDDOR AFR[4]	**0.00**	0.00	**0.00**	0.00	**3.60**	1.26

1 Injury rate – (injuries excluding RIDDOR and lost time injuries)/(total hours worked) x 1,000,000.
2 Lost day rate – (lost time injuries excluding RIDDOR)/(total hours worked) x 1,000,000.
3 Severity rate – total number of lost work days (excluding RIDDORs)/total number of incidents.
4 RIDDOR accident frequency rate (AFR) – the number of RIDDORs/(total hours worked) x 1,000,000.
5 Deloitte LLP do not assure injury rate, lost day rate or severity rate for 'Employees'.
6 Near miss and Lost time injuries are new statistics for 2022. No comparable prior year figures available.

GOVERNANCE

AT DERWENT LONDON, ACTING IN A FAIR AND RESPONSIBLE MANNER IS A CORE ELEMENT OF OUR BUSINESS PRACTICE.

2022 HIGHLIGHTS

- Publication of climate-related financial disclosures consistent with the TCFD Recommendations as required by the Listing Rule 9.8.6(8)(b)
- Consulted with shareholders representing c.64% of our issued share capital on our proposed amendments to the Remuneration Policy
- Reviewed the BEIS Response Statement on audit and corporate governance reform and agreed our approach to the new requirements
- Continued mandatory compliance training programme for all employees (including Directors)
- Published our latest Modern Slavery Statement
- Updated our Code of Conduct & Business Ethics
- HMRC confirmed that our low risk status has been extended to summer 2023

A responsible business

The oversight of ESG matters is critical. It not only allows the Board to appreciate 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 and Sustainability Committee (see our ESG Governance Framework).

Our Chief Executive, Paul Williams, is the designated Director with overall accountability for ESG matters however, the responsibility for overseeing its day-to-day management is delegated to Nigel George (Executive Director). Paul Williams oversees the review and performance of our responsibility work as Chair of the Sustainability Committee and as a member of the Responsible Business Committee.

Our ESG Governance Framework

THE BOARD

Overall responsibility for ESG matters

Nominations Committee	Audit Committee	Risk Committee	Remuneration Committee	Responsible Business Committee
Ensures ESG skills, knowledge and experience is a consideration when assessing the Board's composition and the identification of any skill gaps	Monitors assurance and internal financial control arrangements. Ensures ESG-related expenditure is appropriately reflected in our financial statements	Identifies and evaluates key ESG risks (principal and emerging), ensuring they are appropriately managed	Ensures ESG factors are included in executive remuneration (annual bonus and long-term incentive plans)	Monitors the Group's corporate responsibility, sustainability and stakeholder engagement activities

EXECUTIVE DIRECTORS WITH ASSISTANCE FROM THE EXECUTIVE COMMITTEE

Responsibility for oversight of the Group's ESG initiatives

Sustainability Committee	Health and Safety Committee	Sponsorship and Donations Committee	Social Committee
Responsible for implementing the Board's ESG strategy	Responsible for monitoring health and safety management and performance	Responsible for the Group's charitable activities and donations	Aims to encourage team working and collaboration between departments through social activities

GOVERNANCE continued

Climate change governance

The governance of climate change risk and opportunities is ultimately the responsibility of the Board. However, day-to-day management is delegated to the Executive Committee and senior management.

The Board monitors the Group's progress through our science-based targets, which were independently validated and approved by the Science-Based Targets initiative (SBTi) in 2019. In addition, specific performance indicators are assured by Deloitte LLP and these can be found in their Independent Assurance Report in the Responsibility Report.

Our strategy and targets for energy consumption and carbon emissions are set and monitored by the Board. The Board, Responsible Business Committee and Executive Committee receive regular updates and presentations on environmental and sustainability performance from the Head of Sustainability. In addition, the Remuneration Committee has further strengthened the alignment between executive remuneration and our net zero carbon ambition, by introducing sustainability performance metrics within the LTIP as part of the revisions made to the Group's Remuneration Policy (see page 191).

Green finance governance

Our Green Finance Framework allows us to clearly link our financing to the environmental benefits our activities generate. The Audit Committee receives annual updates on our green finance initiatives including in respect to our reporting disclosures and during the year, received training in respect of climate-related reporting (see page 158).

Our Green Finance Framework received a Second Party Opinion (SPO) from DNV that it is aligned with the Loan Market Association's Extended Green Loan Principles and the International Capital Market Association's Green Bond Principles. The SPO is available on our website. Deloitte have also provided reasonable assurance over selected green finance KPI disclosures. Their assurance statement is available within the Responsibility Report on our website.

OUR GREEN FINANCE FRAMEWORK / See page 108

£627.9m

cumulative Eligible Green Project (EGP) capex at 31 December 2022 across four eligible projects

Supply chain governance

It is important to us that our suppliers and construction partners operate ethically and share our ESG business principles.

Our supply chain governance procedures ensure our suppliers are aware of the standards we expect from them and the business practices which we will not tolerate. All suppliers with whom we spend more than £20,000 per annum are required to provide evidence of how they are complying with our Supply Chain Responsibility Standard, which sets out our principles and expectations in terms of the environmental, social, ethical and governance issues which relate to our supply chains.

SUPPLY CHAIN RESPONSIBILITY STANDARD / See page 185

MATERIAL AND LABOUR SHORTAGES / See page 113

Ensuring our payment practices are ethical is a key requirement in governing our supply chain. This will remain an area of particular importance, and focus for the Group, due to the economic uncertainty and the potential impact of recession on businesses.

RESPONSIBLE PAYMENT PRACTICES / See page 185

Protecting human rights

The protection of human rights and fundamental freedoms is one of our key ESG priorities which we manage from an internal (within our business) and external perspective (within our supply chain and our relationships with contractors). Internally, the Board monitors our culture to ensure we maintain our values and high standards of transparency and integrity. Our Human Resources team ensures that we have the right systems and processes in place to strengthen and sustain our culture.

THE BOARD'S ROLE IN MANAGING THE GROUP'S CULTURE / See page 140

Externally, we are active in ensuring our ESG standards are clearly communicated to our supply chains, principally via our Supply Chain Responsibility Standard. To ensure the human rights of our supply chain are respected we are clear on our zero-tolerance position with regards to slavery and human trafficking as set out in our Modern Slavery Statement.

Based on our ongoing risk assessment, we continue to believe the risk of any slavery or human trafficking in respect of our employees is low. Further information on our efforts to prevent modern slavery occurring in our supply chain is on page 185.

MODERN SLAVERY STATEMENT / www.derwentlondon.com/investors/governance/modern-slavery-act

Tax governance

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

We have an open and transparent relationship with HMRC and seek to anticipate any tax risks at an early stage, including clarifying areas of uncertainty as they become evident.

We keep HMRC informed of how our business is structured and respond to all questions or requests promptly. Our Head of Tax also regularly engages with HMRC via his roles with the Chartered Institute of Tax and the British Property Federation to support consultations or to seek legislative clarification in areas that could potentially impact our business. HMRC have confirmed that our low risk status has been extended to summer 2023.

REPORTING FRAMEWORKS AND ESG DATA

Non-financial reporting

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

Category	Our key policies and standards	Additional information	
Environmental matters	• Responsibility Policy • Net Zero Carbon Pathway • Science-based carbon targets • United Nations Sustainable Development Goals (UN SDG) • Task Force on Climate-related Financial Disclosures (TCFD) • Streamlined Energy and Carbon Reporting (SECR) disclosure	Responsibility Report	reports.derwentlondon.com/responsibility-2022
		Our pathway to net zero carbon	Page 27
		Climate change governance	Pages 66, 72 to 73
		Risk management	Pages 81 to 83 and 114
		Executive Directors' annual bonus	Page 216
		Executive Directors' LTIP 2023	Pages 191, 192 and 212
		UN SDGs	Page 68
		TCFD	Pages 72 to 85
		SECR	Page 69
Social and employee aspects	• Volunteer Policy • Equal Opportunities and Diversity Policy • Professional Development and Training • Shared Parental Leave • Smart Working Policy	Community Fund	Page 57
		Our people	Pages 59 to 62
		Diversity and inclusion	Pages 60, 186 to 189
		Employees on a committee	Page 184
		The section 172(1) statement	Pages 131 to 133
Respect for human rights	• Individual Rights Policy • Health and Safety Policy Statement • Supply Chain Responsibility Standard • Modern Slavery Statement • Code of Conduct & Business Ethics	Health and safety	Page 63
		Human rights	Page 66
		Modern slavery	Page 185
		Supply Chain Responsibility Standard	Page 185
Anti-bribery and corruption issues	• Anti-bribery Policy • Whistleblowing Policy • Expenses Policy • Money Laundering and Terrorist Financing Policy • Preventing Facilitation of Tax Evasion Policy	Audit Committee report	Pages 156 to 169
		Risk Committee report	Pages 170 to 181
		Anti-bribery and corruption	Page 177
		Our principal risks	Pages 116 to 123
		Compliance training	Page 171

GOVERNANCE continued

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDG) DISCLOSURES

The UN SDGs are an international standard developed to support global change and sustainable growth. We believe that we have a role in supporting the UK in responding to this standard and helping positively affect change.

We have reviewed the suite of 17 goals and have selected those which align most closely to our ESG priorities and which are particularly significant to our business. These are set out in the table below along with a summary of our progress.

Our ESG priority	UN Goal	Applicable target	Applicable indicator	Our efforts
Creating value in the community and for our wider stakeholders	**4. Quality education**	4.4	4.4.1	Through our Community Fund we invest in and support youth and adult ICT education and skills training – both technical and vocational. A recent example of this is our support for the work of Urban MBA which provides people aged between 19 to 25 with assistance to find employment. This is achieved through employability programmes and best-of-breed business courses to help them develop their ideas and start their own sustainable commercial and social businesses.
		4.a	4.a.1	Similar to the above, through our Community Fund we invest in and support projects which look to upgrade and improve youth education facilities. A recent example of this is our support of Society Links and their Study Support programme. Society Links is seen as a trusted hub within the community for services users and families. This particular programme supports children outside of school and targets low achievers helping them gain a strong grade in maths and avoiding the need to re-sit the exam. This in turn increases their confidence benefitting their success in other subjects.
Protecting human rights, Engaging and developing our employees	**5. Gender equality**	5.1	5.1.1	Beyond any legislative requirement we are active in ensuring meaningful gender equality in our business. In addition to making sure our business structure is representative, we also seek to ensure our suppliers have the same policies and approaches in their businesses. To help guide us, our Diversity & Inclusion Working Group is tasked with reviewing best practice and to challenge our business to ensure we address equality robustly and maintain our National Equality Standard accreditation.
		5.5	5.5.2	27% (32% in 2021) of the women within our business are in managerial roles/positions.
Designing and delivering buildings responsibly, Managing our assets responsibly	**7. Affordable & clean energy**	7.2	7.2.1	Our aim is to ensure we purchase renewable energy for our portfolio. As at 31 December 2022, all the electricity contracts which supply our buildings are REGO backed, and our gas supplies are RGGO backed. As part of our net zero carbon programme we are looking to develop our own off-site renewable energy generation capacity on our Scottish land. To date we have received resolution to grant planning permission for a c.100-acre solar park. We will be working to progress this in 2023.
		7.3	7.3.1	In addition to our science-based targets we have specific energy intensity reduction targets designed to help us improve the energy efficiency of our managed properties.
Creating value in the community and for our wider stakeholders	**11. Sustainable cities & communities**	11.7	11.7.1	We actively promote the inclusion of public spaces in and around our buildings and ensure they are fully accessible to those with disabilities. In addition, we are part of the London Mayor's Business Climate Leaders Group which was set up to help London become a net zero carbon city by 2030.
Managing our assets responsibly	**12. Responsible consumption & production**	12.5	12.5.1	We have established a portfolio-wide minimum recycling target of 75% and a no waste to landfill policy.
		12.6	12.6.1	We integrate comprehensive sustainability reporting information into our company reporting cycles and public reporting.
Designing and delivering buildings responsibly, Managing our assets responsibly	**13. Climate action**	13.2	13.2.2	We have independently verified science-based carbon targets which are set to a 2°C reduction scenario, and are currently awaiting new, property-specific guidance from the SBTi such that we can re-base to a 1.5°C scenario. In addition, we have set embodied carbon and energy intensity reduction targets for our developments and managed properties respectively. This means we are committed to reducing our carbon emissions and making sure our portfolio is climate resilient.

STREAMLINED ENERGY AND CARBON REPORTING (SECR) DISCLOSURE

In line with the SECR regulations, we present below our disclosure which is comprised of our carbon emissions across Scopes 1 and 2 together with an appropriate intensity ratio – $kgCO_2e$/sqm. We have also set out our Scope 3 emissions and the global energy consumption (kWh) used to calculate our emissions.

We recognise the embodied carbon emissions associated with our asset regeneration activity, which is relevant for inclusion in the capital goods category, in the year in which projects complete. Three major and several smaller schemes completed in 2022, a higher level of completions than in 2021.

Energy efficiency actions

Average occupation levels across our buildings continued to rise as pandemic lockdown measures were revoked. Consequently, energy consumption levels are returning to those associated with more normalised occupancy. We do not expect energy consumption to return to pre-pandemic levels, in part due to our proactive occupier engagement which is helping raise awareness, whilst also providing practical assistance and information to help them reduce consumption on an ongoing basis. We have also continued to invest in a range of energy efficiency measures across the managed portfolio, including increasing/reducing temperature set-points in summer/winter respectively and continued roll out roof LED lighting in common areas and PIR sensors.

Scope 1 and 2 emissions

		tCO_2e 2022	2022 vs 2021 change	tCO_2e 2021	2021 vs 2020 change	tCO_2e 2020
Scope 1 (combustion of fuel) Managed portfolio gas use and fuel use in Derwent London owned vehicles	Location-based	**2,676**	-16%	3,185	-4%	3,326
	Market-based	**2,007**	-32%	2,965	-10%	3,291
Scope 1 (operation of facilities) Managed portfolio refrigerant loss from air conditioning systems		**312**		–		–
Total Scope 1	Location-based	**2,988**[1]	-6%	3,185	-4%	3,326
Scope 2 (purchased electricity, heat, steam and cooling for our own use) Managed portfolio electricity use for common parts and shared services (landlord controlled areas) – no heat, steam or cooling was/is purchased	Location-based	**1,503**[1]	-10%	1,670	-14%	1,947
Renewable REGO backed electricity	Market-based	**28**	-49%	55		0
Total Scope 1 and 2 emissions	Location-based	**4,491**	-7%	4,855	-8%	5,273
	Market-based	**2,035**	-33%	3,020	-8%	3,291
Total Scope 1 and 2 emissions intensity ($kgCO_2e$/sqm)	Location-based	**11.6**	-8%	12.6	-14%	14.6
Proportion that is UK-based		**100%**		100%		100%

1 Selected metrics were subject to independent reasonable assurance by Deloitte LLP – see Data notes on page 71.

GOVERNANCE continued

Scope 3 emissions

Category	Notes	tCO_2e 2022	2022 vs 2021 change	tCO_2e 2021	2021 vs 2020 change	tCO_2e 2020
Purchased goods and services	N/A					
Capital goods	Embodied carbon emissions from projects that completed during 2022	**32,869**[1]	3,073%	1,036	-95%	19,790
Fuel and energy-related activities		**2,711**	-12%	3,065	45%	2,118
Upstream transportation & distribution	N/A					
Waste management		**39**	56%	25	0%	25
Water		**22**	38%	16	-57%	37
Business travel		**23**	283%	6	-57%	14
Employee commuting	Measured but deemed to be de minimus	**<5%**		<5%		<5%
Upstream leased assets	N/A					
Downstream transportation & distribution	N/A					
Processing of sold products	N/A					
Use of sold products	N/A					
End-of-life treatment of sold products	N/A					
Downstream leased assets	Emissions from tenant electricity consumption	**4,893**	-4%	5,108	-8%	5,555
Franchises	N/A					
Investments	N/A					
Total Scope 3 emissions		**40,557**[1]	338%	9,256	-66%	27,539
Total Scope 1,2 & 3 (excluding embodied carbon) emissions		**12,178**	-7%	13,074	0%	13,022
Total Scope 1,2 & 3 (excluding embodied carbon) emissions intensity ($kgCO_2e$/sqm)		**31.4**	-7%	33.8	8%	31.4

1 Selected metrics were subject to independent reasonable assurance by Deloitte LLP – see Data notes on page 71.

Global energy use

	kWh 2022	Difference	kWh 2021	Difference	kWh 2020
Gas (combusted on a whole building basis)	**14,633,956**	-16%	17,351,169	-4%	18,069,846
Electricity (consumption from landlord controlled areas)	**7,853,915**	-1%	7,914,239	-6%	8,398,662
Electricity (consumption from tenant controlled areas)	**25,302,791**	5%	24,058,669	8%	22,315,697
Total energy (consumption from landlord areas for electricity and gas)	**22,487,872**	-11%	25,265,408	-5%	26,468,508
Total building energy (consumption from landlord and tenant controlled areas and gas)	**47,790,663**	-3%	49,324,077	1%	48,784,205

Data notes

Boundary (consolidation approach)	Operational control, based on our corporate activities and managed property portfolio all of which are in central London (UK) only.
Alignment with financial reporting	The only variation is that our GHG emission/energy data presented does not account for single-let properties or properties for which we do not have management control. This is because we have no control or influence over the utility consumption in these buildings. However, the rental income of these properties is included in our consolidated financial statements.
Reporting method	We arrange our GHG emissions reporting in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. For further details on our data calculation methodology please visit the data section of our annual Responsibility Report, which can be found at reports.derwentlondon.com/responsibility-2022/data-and-downloads#data-download.
Emissions factor source	DEFRA, 2021 & 2022 – https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting for all emissions factors apart from the Scope 2 market-based factor which is based on the provenance of our electricity supplies which are from renewable sources.
Restated 2021 figures	2021 figures have been restated as a result of the following: Data availability for energy which was not available at the time of reporting last year has now been stated. We have updated our energy intensity calculation. This is now normalised to the length of time the property was in the portfolio for that year as per our updated methodology, such that a more representative floor area for energy consumption is reported.
Market-based emissions	2021: The market-based gas figures have been restated using corrected market-based emissions factors for the portfolio which has subsequently been provided by our gas suppliers. 2022: Buildings which were on REGO-backed tariffs have had market-based carbon factors applied to them.
Embodied carbon	We report embodied carbon in the year a project completes. As such embodied carbon showed a large increase in 2022, as two of our largest developments completed in the year – The Featherstone Building EC1 and Soho Place W1.
Independent assurance	Selected 2022 metrics were subject to independent reasonable assurance under ISAE3000 (Revised) and ISAE3410 by Deloitte LLP. Their assurance opinion and our Environmental Basis of Reporting can be found within the Responsibility Report at reports.derwentlondon.com/responsibility-2022/data-and-downloads#data-download.

For more analysis of our GHG emissions, energy consumption and renewable energy generation, use and procurement visit the data section of our latest Responsibility Report.

GOVERNANCE continued

2022 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Governance

(a) Describe the board's oversight of climate-related risks and opportunities

Climate change is a material issue for our business. The Board has overall accountability for climate-related risks and opportunities, which it factors into its strategy discussions. The Board's governance framework allows for delegation of specific matters to the appropriate committees. As the risks and opportunities arising from climate change are likely to have an impact on various aspects of our business practices, all the Board's sub-committees are involved in the oversight of climate-related matters.

CLIMATE RISK GOVERNANCE FRAMEWORK

Board oversight

The Board

Overall accountability for climate-related risks and opportunities

Responsible Business Committee

Monitors the management of our climate-related risks and opportunities and meets at least twice a year to ensure that the Board adequately reflects climate-related issues in its decision making

Nominations Committee	Audit Committee	Risk Committee	Remuneration Committee
Ensures climate and environmental skills, knowledge and experience is a consideration when assessing the Board's composition and the identification of any skills gaps. The Committee meets as required and at least twice per year	Ensures climate-related risks and capital expenditure are appropriately reflected in our financial statements and portfolio revaluation. The Committee typically meets three or four times per year	Ensures climate-related risks are appropriately identified, monitored and managed. The Committee typically meets three times per year	Ensures climate-related aspects are appropriately included in executive remuneration. The Committee typically meets at least twice per year

Executive oversight

Executive Committee

Overall responsibility for oversight of climate-related risks and opportunities and typically meets eight or nine times per year

Sustainability Committee

Day-to-day oversight of climate-related risks and opportunities and meets quarterly

Sustainability Team

Develops appropriate climate-related management measures for implementation across the business and identifies climate risk and opportunities to inform the risk management process

Communication process

Effective oversight requires clear lines of communication and accountability.

Paul Williams (Chief Executive) and John Davies (Head of Sustainability) are members of the Executive and Sustainability Committees and provide regular updates to the Board, Responsible Business Committee, and the other principal committees on climate-related risks and opportunities. Climate-related reporting and discussion is held as part of standing agenda items on the Responsible Business, Risk and Audit Committees including updates on our net zero carbon journey or Energy Performance Certificate (EPC) reporting. Outputs from these committees are fed through to the Board, supported by the updates provided by Paul and John as mentioned above.

The Executive Committee, which has oversight responsibility of climate-related issues, receives updates from the Sustainability Committee. The Sustainability Committee monitors the day-to-day progress and performance of climate-related issues across the business (e.g., climate risk, energy efficiency and legislation such as the Minimum Energy Efficiency Standards (MEES)). A target performance and data dashboard (inclusive of climate-related targets/metrics) is produced for discussion and analysis. The Sustainability Committee is comprised of key department leaders, namely:

- Paul Williams – Chair
- Nigel George (Executive Director)
- John Davies (Head of Sustainability)
- David Lawler (Company Secretary)
- Richard Baldwin (Director of Development)
- Katy Levine (Head of HR)
- Victoria Steventon (Head of Property Management)
- Vasiliki Arvaniti (Head of Asset Management)
- Philippa Davies (Head of Leasing)
- Jay Joshi (Group Financial Controller)

(b) Describe management's role in assessing and managing climate-related risks and opportunities

As Chief Executive, Paul Williams has overall accountability to the Board for climate-related issues. Paul Williams has delegated management oversight to Nigel George (Executive Director) and responsibility for implementation to John Davies (Head of Sustainability). Paul Williams oversees the review and performance as Chair of the Sustainability Committee and as a member of the Board, Executive and Responsible Business Committees. Nigel George also sits on the Board, Executive and Sustainability Committees. The Board is kept updated on climate-related issues through Paul Williams, Nigel George and presentations from John Davies and others within management.

John Davies has responsibility for developing and, together with his team, implementing the business-wide sustainability programme (inclusive of all climate-related aspects). John Davies reports directly to Nigel George and is a member of the Executive and Sustainability Committees. As a result, both Nigel and John have a comprehensive oversight of all our climate-related work.

As mentioned above, the Sustainability Committee comprises key department leaders many of whom have a responsibility for oversight and implementation of climate-related issues within their department. These include:

- David Lawler (Company Secretary) – is responsible for ensuring climate-related issues are adequately reflected within our corporate governance structure e.g. our risk management processes and Board and committee agendas.
- Richard Baldwin (Director of Development) – is responsible for ensuring our development schemes embed the required climate-related and net zero carbon aspects within their design and delivery programmes e.g. high EPC and BREEAM ratings.
- Victoria Steventon (Head of Property Management) – is responsible for ensuring our properties are operated efficiently e.g. building energy consumption is reducing in line with our energy targets.
- Vasiliki Arvaniti (Head of Asset Management) – is responsible (together with John Davies) for ensuring EPCs are tracked and monitored across the investment portfolio. Likewise, that our asset management plans incorporate the necessary improvement measures and budgets to facilitate our net zero carbon ambition and compliance with the forthcoming legislation e.g. EPC changes for 2030 under proposed MEES legislation.

As set out above there is 'top down, bottom up' oversight of climate-related aspects, from the Board to the Sustainability Committee. Target performance and data dashboards (inclusive of climate-related targets/metrics) are discussed and analysed during the Sustainability Committee and related sustainability performance meetings.

To embed a further level of oversight, we have linked climate-related performance measures into our Remuneration Policy for the Executive Directors' LTIP (see pages 191, 192 and 212).

LOOKING AHEAD

In 2023 we will look to:

- Expand our climate-related remuneration to all levels of the business
- Continue to build knowledge at Board level and support Executive/Non-Executive Directors in overseeing and addressing climate-related risks
- Continue to build knowledge at the executive and heads of department level to ensure climate-related risks and opportunities are better understood

GOVERNANCE ACTIONS DURING 2022

The Board	At the strategy awayday in June 2022, the Board received presentations on sustainability, ESG leadership and our progress to net zero carbon. In addition, the awayday was held in Scotland which allowed the Board to see first-hand how our Scottish assets are assisting with our sustainability initiatives.
Responsible Business Committee	Reviewed progress of our Net Zero Carbon Pathway programme and targets, and the updates to our transition and physical climate risk assessments carried out by Willis Towers Watson (WTW).
Risk Committee	Reviewed the latest position of the Group with regards to EPC compliance and our 2030 plans, and the updates to our transition and physical climate risk assessments.
Audit Committee	Reviewed the current progress of our green finance initiatives and the structure of our non-financial assurance work and received training on the latest TCFD disclosure requirements. In addition, the Committee (with members of the Responsible Business Committee) received training on carbon accounting and the latest climate-related regulations applicable to our business.
Remuneration Committee	Received a report on our carbon and energy intensity performance which was used to inform the performance metrics within the Executive Director annual bonus calculation (see page 216). As delivering on our net zero carbon commitments is a fundamental part of Derwent London's long-term strategy, the Committee considered it appropriate to introduce sustainability performance metrics (embodied carbon reduction and energy intensity reduction) within the Executive Directors' long-term incentive plan awards (PSP) for 2023, further information is on page 212.
Executive Committee	The Board agreed on the appointment of John Davies to the Executive Committee, effective from 1 January 2022, strengthening its climate-related risk expertise and experience.

GOVERNANCE continued

Strategy

(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term

Within our business we consider short, medium and long-term time horizons to be 0-5, 5-15 and 15+ years respectively (aligned to our corporate risk management approach), recognising that climate-related issues, in particular physical risks are often (but not exclusively) linked to the medium to long-term and that the properties within our investment portfolio have a long lifespan of many decades.

During 2022 we engaged Willis Towers Watson (WTW) to re-run our climate risk assessment and scenario analysis, which utilised a structured approach to identify the transition (risks related to the transition to a low carbon economy) and physical (risks related to the impact of climate e.g. storm damage) risks and opportunities applicable to our business and then apply three pre-defined climate scenarios to test the resilience of our business, strategy and financial planning.

Time horizon & climate scenario	Short-term Low Carbon World (~1.5°C)	Medium-term Current Policies Scenario (~2 to 3°C)	Long-term Hot House World Scenario (>4°C)
Temperature range	1.4°C (median, 2100, IEA NZE2050) ~1.5°C (median, 2100, RCP2.6)	2.6°C (median, 2100, IEA STEPS) ~2.3°C (mean, 2100, RCP4.5)	~4.2°C (mean, 2100, RCP8.5)
Sources	IEA – Energy Outlook 2021: NZE2050 IPCC, 2014: Synthesis Report: RCP2.6 SSP1	IEA – Energy Outlook 2021: STEPS IPCC, 2014: Synthesis Report: RCP4.5 SSP2	IPCC, 2014: Synthesis Report: RCP8.5 SSP5
Material risks & opportunities identified	**Transition risk** 1. **EPC rating requirements** – increasingly stringent rating requirements by 2030. **Opportunity** Improving buildings and spaces to meet more stringent EPC requirements and our net zero requirements align with market and customer demand for more sustainable space leading to better rental premiums. There are also operational cost savings that can be achieved from reduced energy intensity of more efficient spaces. 2. **Emission offsets** – increasing cost and constrained supply of appropriate carbon offsets. **Opportunity** By extending the carbon removal projects (e.g. tree planting) on our Scottish portfolio we can reduce our reliance on the voluntary carbon market in the long-term and also develop a tradable asset base which could be sold on the voluntary market. However, our current strategy is to utilise these offsets for our own purposes. 3. **Planning requirements** – increasingly stringent planning and design requirements. 4. **Cost of raw materials** – increasing cost of raw materials used in construction. **Physical risk** 1. **Windstorm** – our London portfolio and Scottish land portfolios have a moderate exposure to damage and interruption from windstorm damage in this scenario.	**Transition risk** The risk impact and likelihood profiles for these risks are unchanged in this scenario/time horizon when compared to the low carbon world scenario. This is because strategically we are expecting to decarbonise in a shorter time frame compared to the current policy approach. **Physical risk** 1. **Windstorm** – within this climate scenario the current science is inconclusive on any material shifts to the intensity or frequency. Therefore the risk profile has been deemed to be broadly similar to that in the short-term. 2. **Flooding** – all of our London portfolio assets are either out of risk zones or still protected by the Thames Barrier. Four agricultural assets in our Scottish portfolio are in flood zones of <100 year return period. As a result, flooding presents itself moderately in this scenario.	**Transition risk** Not modelled in this scenario/ time horizon. **Physical risk** 1. **Windstorm** – within this climate scenario the current science is inconclusive on any material shifts to the intensity or frequency. Therefore the risk profile has been deemed to be broadly similar to that in the medium term. 2. **Flooding** – data suggests no change to exposure in this scenario when compared to the medium term. 3. **Drought** – our London portfolio could see a moderate risk of drought, between three to four months per year. This is a notable increase over today's climate. 4. **Subsidence** – increased susceptibility, with all the London portfolio having 'probable' increases and instability issues albeit current data models are limited and make it difficult to characterise its overall impact.

(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term continued

The transition risks were identified and tested against a 'Low Carbon World' (~1.5°C) climate scenario, whilst the physical risks were assessed against the same Low Carbon World and a 'Hot House World' scenario (>4°C). These scenarios were selected because transition risk is generally most severe under a low temperature rise scenario whereby the world transitions to a low carbon economy, whilst physical risks are most severe under a high carbon world where the world fails to transition and as a result experiences more physical risk. An additional 'Current Policies' (~2°C to 3°C) scenario was also used, to understand the resilience of our business to both physical and transition risk if the world follows the emissions trajectory we are headed for based on current policies/practice. The scenarios used for the physical risk modelling drew on Representative Concentration Pathways (RCPs), and the scenarios used for the transition risk assessment drew on the Shared Socioeconomic Pathways (SSPs) and the International Energy Agency (IEA) scenarios.

The transition risks have been assessed against a 2025 and 2030 time horizon, whilst physical risks have been assessed against a current, 2030 and 2050 time horizon because the most severe physical impacts are not expected to occur until the longer term. Details of the sources and key indicators of these are shown in the table on page 74.

Physical risks were modelled using specific climate risk assessment software/data models (see the Risk Management section for further details on the models used) using the scenarios mentioned above with input from our business in terms of property characteristics, financial data and energy consumption data. This process ultimately reviewed nearly 20 transition and physical issues and we have set out in the table below the material risks and opportunities, in terms of impact, likelihood (transition risk) and exposure (physical risk) as defined by and drawn from the assessment.

(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

As a central London focused real estate investment trust (REIT) we invest in, develop and manage property in central London. We also have a portfolio of property and land holdings north of Glasgow, Scotland. As such, climate-related issues affect the way we develop new buildings, refurbish and manage our standing portfolio, and engage with our occupiers. This in turn affects the kinds of suppliers and consultants we use in these activities to ensure we have the requisite level of expertise. This is driven by an ever-increasing demand from our occupiers and other stakeholders wanting buildings with higher sustainability credentials, as well as the regulatory landscape becoming tougher and more demanding.

As a result, our business model, strategy and approach to financial planning clearly recognises this and is underpinned by our low carbon transition plan – our Net Zero Carbon Pathway, which guides our approach and sets the appropriate parameters for our business. Further detail on our pathway can be found at www.derwentlondon.com.

From the risk/opportunity identification above in section (a) we set out in the table below how those risks/opportunities then might impact our business, strategy and subsequent financial planning. Noting that as our business is based in and solely focused on the UK the risks/opportunities are not considered on an international and/or segmental basis.

MATERIAL RISK/OPPORTUNITY: EPC RATING REQUIREMENTS

Articulation	Likelihood and/or exposure	Potential financial impact on our business	Impact on strategy	Impact on financial planning
Current environmental regulation in the UK prevents leasing space with an Energy Performance Certificate (EPC) rating of worse than E. This is projected to increase to a rating of B by 2030. Given 65% of our current portfolio by ERV (as at 31 Dec 2022) is rated B or better this could be a significant risk.	Almost certain	In 2021 a third party report identified £97m of works to achieve 2030 EPC compliance across our London commercial portfolio. This has since been updated to reflect changes to Part L of the building regulations and 2022 cost inflation, increasing to £107m by the year end. Following the sale of 19 Charterhouse Street EC1 in January 2023, this has subsequently decreased to £99m.	The outputs from the study have been embedded into our asset management planning to ensure our strategy and decision making accurately reflects the required actions and investment. Likewise, keeping up with market and customer demand for properties which have a low energy intensity and are more efficient to operate.	The cost estimates were analysed to identify potential service charge items versus direct capital expenditure, and consideration was given to costs reflected in our forecasts. In their December 2022 external valuation, Knight Frank made a specific deduction of £58.4m for identified EPC upgrade works across the portfolio. In addition, further amounts were allowed for general upgrades. These cost breakdowns are now regularly monitored and reported internally on progress made.

GOVERNANCE continued

MATERIAL RISK/OPPORTUNITY: EMISSION OFFSETS

Articulation	Likelihood and/or exposure	Potential financial impact on our business	Impact on strategy	Impact on financial planning
As more companies commit to net zero, the demand for high quality carbon removal offsets is increasing, resulting in higher prices. There is also an increasing reputational risk associated with the use of emission offsets if carbon offsetting is chosen as the only net zero measure instead of focusing on reducing energy consumption/emissions first.	Almost certain	**Scenario 1: lower estimate**, assuming residual Scope 1 and 2 emissions (for gas and electricity) are a combined 757 tCO_2e i.e. those emissions that remain after considering renewable electricity and gas use; that embodied carbon targets are met; and that other Scope 1 emissions e.g. refrigerant emissions reduce: In 2025: ~£450k per annum In 2030: ~£800k per annum **Scenario 2: higher estimate**, based on possible more stringent regulations surrounding green tariffs and assuming residual emissions for gas and electricity are each reduced by 24% in 2025 and by 44% in 2030 from 2019 levels; that other Scope 1 emission types reduce; and that embodied carbon targets are met: In 2025: ~£750k per annum In 2030: ~£1.1m per annum (The above are estimated on projected IEA NZE2050 carbon prices used as a conservative proxy: £62 per tonne in 2025 and £108 per tonne in 2030. Current voluntary carbon market prices for carbon removal schemes as at 31 December 2022 range from £20-£40 per tonne.)	To offset our development-based residual embodied carbon we use carbon removal offsets purchased from the voluntary carbon market. Our development appraisals include a cost of carbon for these offsets, currently set at £25 per tonne with an annual inflation factor of 10% applied. This is then complemented by our embodied carbon targets (commercial office new build developments completing from 2025: ≤600 $kgCO_2e/m^2$ and completing from 2030: ≤500 $kgCO_2e/m^2$) which aim to drive down the amount of embodied carbon on scheme completion and subsequently the need for and cost of offsetting. In reducing our reliance on the voluntary market our strategy has also been to utilise our Scottish land to create our own offsets, initially via tree planting schemes. Nearly seven years ago we planted over 30Ha of woodlands which has already generated 127 Woodland Carbon Code verified carbon credits and we are exploring how to increase this further. Our ambition is to be as self-sufficient with our offsetting as possible to meet our long-term needs and increase the transparency and robustness of the offsets we use. We are currently reviewing our offsetting strategy for the operational emissions of our investment portfolio which will be described and quantified in subsequent disclosures once agreed. Like embodied carbon we have put energy intensity reduction targets in place for properties in our managed portfolio which look to reduce intensity by 4% year-on-year, from our 2019 baseline out to 2030. These are designed to ensure (alongside our renewable energy procurement) that we drive down operational carbon as much as possible. This will be further strengthened when our energy and embodied carbon targets will be incorporated into our next Performance Share Plan (PSP) award grant in 2023. Within the financial impact analysis shown in the previous column we did include operational carbon to understand its likely contribution/impact.	The carbon price and inflation factor included within our development appraisals ensure we are robustly mapping the possible financial impact and reducing exposure to future demand-led price movements. In addition, by investing in our own offsetting we can reduce our development-based carbon expenditure over the longer term.

MATERIAL RISK/OPPORTUNITY: PLANNING REQUIREMENTS

Articulation	Likelihood and/or exposure	Potential financial impact on our business	Impact on strategy	Impact on financial planning
It is highly likely that the UK will need to incrementally increase the stringency of building planning and design requirements as part of its efforts to meet its net zero targets. This would affect our development pipeline, including increasing development costs to ensure all new buildings are net zero carbon ready.	Almost certain	As the impact on cost is primarily associated with compliance, we are assuming acceptance to incorporate these costs into our appraisals. Our current estimations show that approximately 5% to 10% of our development costs are associated with net zero carbon ready items.	Our business strategy is aligned to, and takes account of, the latest changes and requirements, with our Responsible Development Framework and Net Zero Carbon Pathway ensuring we set the right design brief for our development pipeline. They ensure that the properties are more climate resilient such that they are built for a longer life, are more flexible to occupy and operate, less reliant on mechanical cooling and free from fossil fuel use i.e. all electric heating and cooling. Our EPC 2030 study also helps to inform the significant asset management programme we have which is also governed by our Responsible Development Framework.	The requirement to be net zero ready is already factored into our development appraisal process and ensures we have a more robust level of cost certainty and financial forecasting ability. Access to the right kind of good quality, affordable finance is also important to enable us to deliver our development pipeline effectively and demonstrate how we are addressing and effectively managing climate risk. In response, our Green Finance Framework has been specifically developed to allow us to link our debt to our net zero ambitions by setting out performance criteria and a governance framework which clearly show the link between the use of our new debt and our development and refurbishment activities. To date we have two specific debt facilities which are linked to our framework – the £300m 'green' tranche of our main corporate £450m revolving credit facility and a £350m Green Bond issued in 2021. These are being used to part-fund our latest eligible projects – see pages 106 to 107 for further details.

GOVERNANCE continued

MATERIAL RISK/OPPORTUNITY: COST OF RAW MATERIALS

Articulation	Likelihood and/or exposure	Potential financial impact on our business	Impact on strategy	Impact on financial planning
There is a risk of increased development cost if the construction value chain passes the impact of carbon pricing for high carbon building materials such as steel and cement onto us.	Almost certain	If carbon taxation imposed on raw materials suppliers was passed through to us via increased prices, two 'pass through' scenarios were mapped to provide a low and high-cost range estimate: By 2025: ~£200k – £400k per annum By 2030: £350k – £700k per annum. (The above are estimated on projected IEA carbon prices used as a conservative proxy: £62 per tonne in 2025 and £108 per tonne in 2030. The lower figure in the range in each year assumes 50% of the tax impact is passed through and the higher figure assumes 100% is passed through.)	As mentioned above, our Responsible Development Framework and Net Zero Carbon Pathway ensure we set the right design brief for our development pipeline. Included within this are stringent embodied carbon requirements and reduction targets. These drive us to explore lower carbon materials and methods of construction which in turn should assist us in reducing the significance of the impact created by such carbon-related cost increases. However, we recognise that the transition time frame and subsequent availability of these lower carbon materials is not yet entirely clear in some instances. As a result it could mean it takes longer to realise the use of such materials in our developments.	Whilst the increased cost of raw materials cannot be borne solely by customers, the market has seen price increases to key material groups, albeit not necessarily exclusively linked to sustainability-related drivers. In line with our approach to embodied carbon we continue to engage with our principal contractors and Tier 1 suppliers on the impacts of using traditional materials and moving to less carbon intensive materials, and the implications of doing so e.g. availability, cost and supply chain knowledge.

MATERIAL RISK/OPPORTUNITY: WINDSTORM

Articulation	Likelihood and/or exposure	Potential financial impact on our business	Impact on strategy	Impact on financial planning
Damage to our buildings from windstorm damage primarily caused by flying debris.	Moderate to high exposure	Expected losses could be £2.6m with a 10% probability in 10 years (based on a 1-in-100-year return period or 'bad year' event).	Overall, the impact of windstorms on our portfolio does not impact our business strategy, but instead helps us to ensure we have the right building maintenance and management measures in place.	Whilst the probabilistic modelling showed a possible loss of approximately £2.6m, based on a 10% probability over the next 10 years we currently don't believe that it will impact our financial planning. Any recommendations from the climate assessment will then be fed into our Property Management plans and planned preventive maintenance schedules.

MATERIAL RISK/OPPORTUNITY: FLOODING

Articulation	Likelihood and/or exposure	Potential financial impact on our business	Impact on strategy	Impact on financial planning
Loss and damage to our assets which are located in high flood risk zones.	Low to moderate exposure	Expected losses could be £3.5m with a 10% probability in 10 years, related to four agricultural assets in our Scottish portfolio (this only occurs in a Hot House World Scenario (>4°C).	Like windstorm, the risks from flooding do not impact our overall business strategy, albeit we are likely to undertake a greater level of due diligence during the acquisition process given future purchase targets could potentially be in flood zones.	To ensure we understand the flood risk of potential new acquisitions our due diligence procedures will need to be enhanced to account for a greater level of flood mapping to ensure we aren't introducing higher levels of risk and loss exposure into the portfolio.

Note: drought and subsidence risks have not been included above due to there being no clear financial quantification models available within the datasets used.

(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

As a REIT our properties are subject to climate-related risks such as increasing temperatures which could lead to greater physical stresses. Our business model/strategy involves both investing in new developments and acquiring older properties which hold future regeneration/income potential. We ensure a high degree of resilience in our new developments and regeneration of older properties by setting high standards for sustainability, which includes climate-related aspects. When managing our core income portfolio, we have a significant focus on energy and carbon reduction (as dictated by our energy intensity reduction targets), ensuring our buildings operate as efficiently as possible.

As a result, our strategy centres around the concept of continual improvement which ensures a high degree of both climate and financial resilience. Ultimately, we do not envisage having to make changes to our overall approach when considering climate-related scenarios.

Like previous sections, the table below maps out the material risks and opportunities drawn from our latest assessment and the resilience of our strategy to the three different climate scenarios used in the assessment. Of the risks identified, none were deemed likely to have a substantial impact such that the viability of our business would be interrupted, although our cost profile could increase.

Scenario	**Short-term** **Low Carbon World** **(~1.5°C)** ~1.5°C (median, 2100, RCP2.6)	**Medium-term** **Current Policies Scenario** **(~2 to 3°C)** ~2.3°C (mean, 2100, RCP4.5)	**Long-term** **Hot House World Scenario** **(>4°C)** ~4.2°C (mean, 2100, RCP8.5)
Material risks & opportunities identified	**Transition risk** **EPC rating requirements** In this scenario, it is assumed the minimum EPC rating of B will be in place and it will cost us £107m out to 2030 to ensure we meet these requirements, although since the year end this has reduced to £99m after disposals. To address the impact of this risk on our profit and loss, the EPC 2030 study we commissioned addressed each affected property in the portfolio and set a clear, costed plan on how to achieve the new minimum rating. However, there is a clear opportunity in that market and occupier demand for more sustainable space is leading towards better rental premiums. Likewise, there are also operational cost savings that can be achieved from reduced energy intensity of more efficient spaces. **Emission offsets** In this scenario, UK net zero emissions will be deemed to have been met by 2050. This could lead to a significant increase in pricing of voluntary offsets as demand grows as more companies seek to meet net zero targets by offsetting residual emissions. Using projected IEA carbon prices of £108 as a proxy for the price of a carbon offset by 2030 this could have a projected impact of £800,000 to £1,100,000 per annum. Over the long-term and to reduce the impact on our balance sheet, extending the carbon removal projects (e.g. tree planting) on our Scottish portfolio will help to reduce our reliance on the voluntary carbon market. However, in this scenario we are unlikely to realise the full value straight away given such projects take time to yield a significant number of credits.	**Transition risk** **EPC rating requirements** In this scenario, it is assumed there would be no increase in EPC requirements. However, with our strategy we would still look to retrofit and improve our properties in line with our net zero strategy and overall business model. Likewise, to take advantage of market demand and occupier preference opportunities. **Emission offsets** In this scenario, the price of voluntary offsets is anticipated to rise as demand grows as some companies seek to meet net zero targets by offsetting residual emissions. However, the assumption is that the price does not increase by as much as under the Low Carbon World scenario. The increase in pricing of voluntary offsets is assumed to be in line with the projected carbon price. Using the IEA STEPS scenario and assuming the UK implements a carbon price of $65 (£54) by 2030 in line with stated EU prices this could have a projected impact of £400,000 to £570,000 per annum. It is assumed the opportunities available on our Scottish portfolio remain the same.	**Transition risk** Not modelled in this scenario/time horizon. **Physical risk** 1. **Windstorm** – within this climate scenario there was no scientific evidence to suggest that intensity or frequency would increase significantly, therefore the risk profile has been deemed to be broadly similar to that in the medium-term. 2. **Flooding** – data suggests no change to exposure in this scenario. 3. **Drought** – our London portfolio could see a moderate risk of drought, between three to four months per year, a notable increase over today's climate. 4. **Subsidence** – there is increased susceptibility of subsidence, with all the London portfolio having 'probable' increases and instability issues in line with the wider London area.

GOVERNANCE continued

Scenario	Short-term Low Carbon World (~1.5°C) ~1.5°C (median, 2100, RCP2.6)	Medium-term Current Policies Scenario (~2 to 3°C) ~2.3°C (mean, 2100, RCP4.5)	Long-term Hot House World Scenario (>4°C) ~4.2°C (mean, 2100, RCP8.5)
Material risks & opportunities identified continued	**Planning requirements** In this scenario, it is assumed that the UK will need to increase the stringency of building planning and design requirements as part of its efforts to meet its net zero targets. Our strategy already reflects this expected move – primarily via the introduction of our Net Zero Carbon Pathway back in July 2020. We have estimated the cost impact of our pathway on our developments with approximately 5% to 10% of our development costs associated with net zero carbon requirements. As described above there is a clear opportunity in that market and occupier demand for more sustainable space is leading towards better rental premiums. As a result, we will look to take advantage of this opportunity and ensure our properties are aligned. **Cost of raw materials** In this scenario, there is expected to be increased cost of high carbon raw materials such as steel, cement and glass, which would be further impacted by a carbon tax. Price increases set out in the table on page 76 derive from the assumption that suppliers pass on 50-100% of their exposure to high carbon taxation via increased prices. **Physical risk** 1. **Windstorm** – our London and Scottish land portfolios have a moderate exposure to damage and interruption from windstorm damage in this scenario.	**Planning requirements** In this scenario, it assumes there are no changes to existing planning requirements. Therefore, whilst we will have to ensure we meet planning regulations, there will be no new, more stringent regulations introduced. However, we would still intend to follow our Net Zero Carbon Pathway and therefore the impact and likelihood of this risk remains the same. In addition, this is supported by market and occupier demand for more efficient spaces which we would look to take advantage of. **Cost of raw materials** In this scenario, the increase in cost of key materials is anticipated to be substantially lower than in the Low Carbon World scenario. Price increases set out below derive from the assumption that suppliers pass on 50-100% of their exposure to high carbon taxation via increased prices. Using the IEA STEPS scenario and assuming the UK implements a carbon price of $65 (£54) by 2030 in line with stated EU prices this could have a projected impact of £170,000 to £340,000 per annum. Setting robust embodied carbon reduction targets drives us to explore lower carbon materials and methods of construction which in turn should assist us in reducing the significance of the impact created by such carbon-related cost increases on our profit and loss. **Physical risk** 1. **Windstorm** – within this climate scenario there was no scientific evidence to suggest that intensity or frequency would increase significantly, therefore the risk profile has been deemed to be broadly similar to that in the short-term. 2. **Flooding** – all of our London portfolio assets are either out of risk zones or are protected by the Thames Barrier. Four agricultural assets in our Scottish portfolio are in flood zones of <100-year return period. As a result, flooding presents itself as a moderate risk in this scenario.	

STRATEGY ACTIONS DURING 2022

2030 EPC assessment	Since undertaking our EPC 2030 study we have embedded the suggested actions into our asset management and refurbishment programmes. We have also assessed the proportion of costs which are capex/service charge recoverable and given consideration to the costs included in our forecasts and external valuations.
Offsetting	We continued our assessment of further tree planting sites on our Scottish portfolio, as well as other carbon removal projects such as peatland restoration.

LOOKING AHEAD

In 2023 we will look to:

- Expand and finalise our carbon removal projects in Scotland
- Continue with the detailed design and project management of our proposed solar park
- Continue to refine our EPC 2030 actions and cost apportionments to ensure we remain on track. This is picked up through our five-year asset management strategies which include plans for efficient operation and/or upgrade of our assets
- Look to incorporate the physical risk analysis into the appropriate property and asset management planning activities

Risk management

(a) Describe the organisation's processes for identifying and assessing climate-related risks.
(b) Describe the organisation's processes for managing climate-related risks.
(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Owing to their complex nature, the identification and assessment of climate-related risks and opportunities are undertaken with the support of third party expertise. During the year under review, Willis Towers Watson (WTW) were engaged to perform an update to their climate risk assessment and climate scenario analysis which was first conducted in 2020.

Process

Transition risks were identified and assessed via a workshop facilitated by WTW with senior cross-functional representation from across Derwent London. The risks were then identified, assessed and challenged in terms of impact and likelihood, and then set into context based on the latest regulatory updates and WTW's experience with the real estate sector. The financial impact (whether to the balance sheet or income statement) was estimated, and likelihoods assessed on an annualised basis and aligned to our risk rating criteria (see page 174). High and low impact estimates were assigned to applicable cost components, depending on the success of planned mitigating actions, and risks given a '1 to 5' impact rating according to a defined rating criterion. Working through the assessment process, we applied mitigation measures already captured within the scope of our Net Zero Carbon Pathway and those within our existing business processes, to define our residual risk profiles.

Physical risks were identified and assessed through an asset-by-asset exposure analysis using a range of acute and chronic climate hazards (risks). The scenarios were tested as at the present day, as well as for future projections under three climate scenarios (see below). This was supplemented by a climate risk modelling analysis for flood and windstorms. Physical assets were considered 'exposed' if they were in an area where a climate hazard may occur.

The degree of exposure was defined by the severity/intensity of that hazard, with each hazard having its own intensity scale. If an exposure was deemed to be moderate or above (i.e. scored 3 out of 5 or above) it could have a material impact. It should be noted that the scores were based on a global scale. For the UK, a modest increase in a chronic hazard, such as heat-stress (heatwaves), from 'very low' to 'low' could have wider implications on properties and infrastructure.

Once the risks and opportunities had been identified, they were tested against various climate scenarios. The key considerations in the scenario analysis were:

- **Forecasting:** scenarios are not intended to be forecasts of the future, rather a way to imagine plausible states of the world and plan for our resilience.
- **Balance:** they should have aspects of quantification, but not so much it impairs strategic thinking.
- **Challenge:** they must ensure we challenge our own thinking about our organisation and business model.
- **Certainty:** some drivers within the scenarios may be relatively certain and predictable whilst others highly uncertain as to their development and impacts over time.
- **Number:** the resilience of our strategy should be investigated under multiple scenarios, including a '2°C or lower' scenario.

Scope

The scope of the 2022 assessment included our entire London-based investment portfolio (including our head office) and our Scottish land. In our 2020 assessment, we did not include our land in Scotland.

GOVERNANCE continued

Climate scenarios (for both physical and transition risk), transition assumptions and physical risk data sources used

Scenario Name	Low Carbon World (~1.5°C)	Current Policies Scenario (~2 to 3°C)	Hot House World Scenario (>4°C)
Temperature range	1.4°C (median, 2100, IEA NZE2050) ~1.5°C (median, 2100, RCP2.6)	2.6°C (median, 2100, IEA STEPS) ~2.3°C (mean, 2100, RCP4.5)	~4.2°C (mean, 2100, RCP8.5)
Sources	IEA – Energy Outlook 2021: NZE2050 IPCC, 2014: Synthesis Report: RCP2.6 Narratives for SSPs*: SSP1	IEA – Energy Outlook 2021: STEPS IPCC, 2014: Synthesis Report: RCP4.5 Narratives for SSPs*: SSP2	IPCC, 2014: Synthesis Report: RCP8.5 Narratives for SSPs*: SSP5
Primary risks			
	Transition risks (2025 and 2030)	Moderate transition (2025 and 2030) and physical risks (current, 2030, 2050)	Physical risks (current, 2030, 2050)
Underlying assumptions			
Global net zero achieved by:	2050 (IEA NZE2050)	Not achieved before 2100 (IEA STEPS)	Not achieved
Carbon price	Advanced economies: 2025, 2030, 2040, 2050 $75/tonne; $130/tonne; $205/tonne; $250/tonne (IEA NZE2050)	EU: 2030, 2040, 2050 $65/tonne; $75/tonne; $90/tonne (IEA STEPS)	No carbon pricing in existence (SSP5)
Building sector policies	Implementation of more stringent building energy conservation building codes for existing and new buildings, including net zero emission requirements by 2030 and 85% of all buildings are zero carbon-ready in 2050. (IEA NZE2050)	In the UK, Low Carbon Heat Support and Heat Networks Investment Project; various retrofit incentive schemes for improving buildings efficiency as part of Plan for Jobs. It does not however assume increasing stringency of EPC requirements. (IEA STEPS)	Assumes current policies promoting sustainability are removed. (SSP5)
Social assumptions	Assumes low growth in material consumption and increasing consumer pressure on businesses to drive sustainability. (SSP1)	The world follows a path in which social, economic, and technological trends do not shift markedly from historical patterns. Global and national institutions work toward but make slow progress in achieving sustainable development goals. (SSP2)	The push for economic and social development is coupled with the exploitation of abundant fossil fuel resources and the adoption of resource and energy intensive lifestyles around the world. (SSP5)
Technology assumptions	Promotion of alternative fuels and technologies such as hydrogen, biogas, biomethane and carbon capture, utilisation and storage across sectors. The share of renewables by 2030 in the global electricity supply would increase to approximately 61%, shifting economies from being fossil fuel dependent to renewable energy driven. (IEA NZE2050)	Phase out of traditional coal-fired power by 2024 in the UK and the Ten Point Plan, with up to 40 GW offshore wind capacity by 2030. Electrification component of the 6th Carbon Budget and Industrial Energy Transformation Fund provides grant funding for energy efficiency projects. (IEA STEPS)	Little to no development in low carbon technology. (SSP5)
Physical risk data sources	Willis Towers Watson's Global Peril Diagnostic and Climate Diagnostic Tools, data from the MunichRe hazard databases, and the Intergovernmental Panel of Climate Change (IPCC). For the climate loss modelling the catastrophe model from RMS (Risk Management Solutions) was used.		

How we integrate climate risk into our overall risk management approach

We identify and monitor climate change risks as part of our wider risk management procedures which are overseen by the Board and its principal committees (see pages 114 and 174 to 175). Although the Board has ultimate responsibility for the Group's robust risk identification and management procedures, certain risk management activities are delegated to the level that is most capable of overseeing and managing the risks. Our risk management structure is on page 176. Throughout the year, the Executive Committee reviews the Group's risk registers, which include sustainability/climate change related risks. These reviews consider the risk severity, likelihood and the internal controls and/or mitigation actions required to reduce our risk exposure, so that it is aligned with or below our risk appetite. This approach allows the effects of any mitigating procedures to be considered properly, recognising that risk cannot be eliminated in every circumstance.

The Board reviews and approves the Group's risk registers on at least an annual basis and they are subject to review by the Risk Committee at each of its meetings. Due to its importance, changes to the Schedule of Principal Risks can only be made with approval from the Risk Committee or Board (changes made to our principal risks during 2022 are on page 113). Climate-related topics are included on the agenda of each meeting of the Responsible Business Committee and the Sustainability Committee. The climate risk governance framework on page 72 details the frequency of the committee meetings.

Climate resilience has been classified as a principal risk for the Group and is contained on our Schedule of Principal Risks (see page 122). Emerging climate-related risks are monitored via our Schedule of Emerging Risks (see pages 124 and 125). At 31 December 2022, we monitor three climate-related emerging risks which relate to Energy Performance Certificate (EPC) compliance, renewable energy and the importance of ESG-related concerns to our key stakeholders. We define an emerging risk as a condition, situation or trend that could significantly impact our financial strength, competitive position or reputation within the next five years. Emerging risks can involve a high degree of uncertainty and are therefore factored into the Board's viability assessment and strategic planning process.

LOOKING AHEAD

In 2023 we will look to:

- Embed the results of the latest climate risk analysis into our portfolio management
- Review the Group's risk registers to ensure they reflect all of the Group's material climate-related risks

RISK MANAGEMENT ACTIONS DURING 2022

Oversight provided by the Risk Committee	• Regular updates on Willis Towers Watson's climate risk assessment. • Received an update on the availability and cost of sourcing renewable energy (see page 125). • Updated on the work performed by the Sustainability, Development and Asset Management teams to upgrade the EPC ratings of our buildings.
Oversight provided by the Audit Committee	• Considered the impact of ESG credentials and EPC capital expenditure on the portfolio valuation (see page 158). • Received an update from Deloitte on its assurance work performed on our key ESG data (see pages 158 and 163) • Both the Risk and Audit Committee received training on climate-related disclosures provided by Deloitte in November (see page 158).

GOVERNANCE continued

Metrics and targets

(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

We set out in the table below a range of metrics that reflect those highlighted in the TCFD buildings and materials group selected metrics and indicators guidance. In addition, to enable our stakeholders to further understand our performance with regards to climate-related issues, the data section within our annual Responsibility Report includes an extensive range of consumption and intensity metrics for energy, carbon, waste and water.

Financial category	Climate-related category	Metric	Unit of measure	2022	2021	2020	Applicable risks and opportunities	Risk timescales
Assets	Risk Adaptation & Mitigation	Percentage of portfolio with an EPC rating of A	% of ERV	**9%**	6%	6%	EPC rating requirements	Short to medium-term
		Percentage of portfolio with an EPC rating of B	% of ERV	**45%**	35%	31%		
		Percentage of portfolio with an EPC rating of C	% of ERV	**20%**	18%	24%		
		Percentage of portfolio with an EPC rating of D	% of ERV	**9%**	14%	21%		
		Percentage of portfolio with an EPC rating of E	% of ERV	**4%**	6%	9%		
		Percentage of portfolio with an EPC rating of F	% of ERV	**0%**	0%	1%		
		Percentage of portfolio with an EPC rating of G	% of ERV	**0%**	0%	0%		
		Properties in development	% of ERV	**12%**	19%	0%		
		Exempt/ under review/ outstanding	% of ERV	**1%**	2%	8%		
		Percentage of portfolio which is BREEAM certified	% by floor area (total portfolio NIA%)	**34%**	30%	32%	Planning requirements	Short to medium-term
		Percentage of portfolio which is LEED certified	% by floor area (total portfolio NIA%)	**13%**	9%	9%		
Expenditures	Energy/Fuel	Total energy consumption	kWh	**47,790,663**	49,324,077	48,784,205	Cost of raw materials, emission offsets	Short to medium-term
		Proportion of energy consumed from renewable sources	% of energy	**92%**	71%	63%		
	Energy/Fuel GHG Emissions	Total electricity consumption	kWh	**33,156,706**[1]	31,972,908	30,714,359		
		Proportion of electricity consumed from renewable sources	% of energy	**98%**[1]	97%	100%		
		Total fuel consumption (gas)	kWh	**14,633,956**[1]	17,351,169	17,896,075		
		Proportion of fuel consumed from renewable sources	% of energy	**79%**[1]	22%	1%		
		Total building energy intensity	kWh/m²	**123**[1]	128	135		
		GHG emissions intensity from buildings (location-based)	tCO_2e/m^2	**0.0234**	0.0258	0.0300		
		GHG emissions intensity from buildings (market-based)	tCO_2e/m^2	**0.0054**	0.0081	0.00922		
	Water	Total water consumption	m³	**150,072**[1]	107,864	95,719	Drought, flooding, planning requirements	Medium to long-term
		Building water intensity	m³/m²	**0.41**[1]	0.29	0.26		
	Risk Adaptation & Mitigation Remuneration	Expenditures (capex) for carbon offsets from the voluntary carbon market (carbon removals)	£	**£410,863**	£12,950	£247,375	Emission offsets	Short, Medium to long-term
		Percentage of Executive Director annual bonus calculation linked to climate-related aspects	% of bonus	**7.5%**	7%	5%	Cost of raw materials, planning requirements	Short to medium-term

NB: the above utility/carbon-based data points relate to our managed property portfolio only. For further details on the make-up of this portfolio and our entire investment portfolio please see our environmental data basis of reporting set out in our latest annual Responsibility Report.

1 Selected metrics were subject to independent reasonable assurance by Deloitte LLP.

In addition to the above metrics we also use our science-based carbon targets and Net Zero Carbon Pathway to support us in the strategic planning of our portfolio and undertake future projections of carbon intensity reductions. For more information on our progress against these please see pages 52 to 56 and our Responsibility Report.

(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

We publish a detailed data report which sets out our environmental data performance. This includes extensive carbon reporting across all scopes: Scopes 1, 2 and 3 calculated using the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. Likewise, we provide at least three years to show progress/historical performance and allow for trend analysis. Please refer to the data report of our latest Responsibility Report which also includes full details of the aggregation and calculation methodology. Moreover, we publish a full breakdown of our corporate carbon footprint (inclusive of Scopes 1, 2 & 3) in our Streamlined Energy and Carbon Reporting (SECR) disclosure on page 69.

(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

In addition to the metrics and targets set out in section (a), we developed a set of science-based carbon targets to ensure our carbon reduction programme is aligned to its objectives, as well as minimising our risk exposure to climate change on our managed portfolio. These targets, aligned with a 2.0°C climate warming scenario, were verified by the Science Based Targets initiative (SBTi) in 2019 and are:

"To reduce Scope 1 and 2 GHG emissions by 55% per square metre by 2027 from a 2013 base year" and "To reduce Scope 3 GHG emissions 20% per square metre by 2027 from a 2017 base year."

To see the latest progress against these targets and the progress across our Net Zero Carbon Pathway, please see our latest Responsibility Report. As part of our net zero ambition, we will be reviewing these targets to align them with a 1.5°C climate warming scenario and we will provide further updates when this is complete.

Compliance statement

In line with the Financial Conduct Authority Listing Rules, we believe our climate-related financial disclosures for the financial year ended 31 December 2022 are consistent with all the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures. When assessing the consistency of our disclosures, we have had due regard for all relevant guidance including the TCFD's Guidance for All Sectors. We also provide the same disclosures within our annual Responsibility Report reports.derwentlondon.com/responsibility-2022 together with our more granular, detailed climate-related data sets and performance metrics which we refer to within our disclosures on pages 72 to 85. The Responsibility Report provides the more granular data behind the figures and methodology that are presented in this report and disclosure. We report this way to satisfy the variety of stakeholders we have and for those who want a more detailed data breakdown which the Responsibility Report provides.

Climate change is a material issue for our business as identified in our sustainability materiality matrix reports.derwentlondon.com/responsibility-2022/about#materiality and is also included as a risk in our principal risk register (see pages 116 to 123). We deem an issue to be 'material' when it is assessed as being sufficiently important to both our business and our stakeholders. A formal four-step process – identification, prioritisation, validation and review – is used to determine the issues within our sustainability materiality matrix which in turn informs the population of our risk register. As a result we believe the disclosures we have provided on pages 72 to 85 are comprehensive within each of the four recommendations and 11 recommended disclosures.