



Sustainability Report 2017



CLS Holdings plc





CLS operates in some of the most densely populated office urban landscapes in Western Europe. Faced with the challenges of growing urban populations and climate change, the case for improving the sustainability and resilience of our assets is clear.



Roßstraße 10, Düsseldorf



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Columbia, Bracknell

2017 Highlights



-9.3%

(2016: -11.4%)

Reduction in carbon emissions

Further reduction in carbon emissions across our like-for-like managed portfolio.



70.6%

(2016: 51%)

Recycling

Increase in recycling across managed assets in the UK.



33

(2016: 27)

CSR events

The number of CSR events which took place across the Group.



13

(2016: 11)

Sustainability building certifications

The number of sustainability building certifications in progress or achieved across the Group.



100%

(2016: 100%)

MEES

All UK properties fully compliant with MEES regulations.



530,760 kWh

(2016: 376,000 kWh)

Renewable and low-carbon generation

Total on-site renewable and low carbon generation (2% of electricity usage).



96%

(2016: 0%)

Renewable energy

Virtually all electricity procured is from renewable and low-carbon certified sources.



90%

(2016: 50%)

Community investment

The percentage of our staff who gave at least one working day to support local communities and charities.

Our commitment

I am pleased that in 2017 we made another significant reduction to our carbon footprint whilst continuing to grow and to deliver on our Sustainability Charter objectives. We have achieved six consecutive years of carbon emission reductions in our like-for-like managed assets. As a responsible business, we invest a significant amount in our properties, people and procedures as part of delivering on our commitment to our stakeholders. We have also continued to contribute to the communities in which we invest, raising more funds for local charities and social programmes than ever before.



Fredrik Widlund
Chief Executive

Looking ahead, we want to achieve more in key areas such as smarter buildings, renewable technology and sustainable supply chains. The wider issue of sustainability is hugely important to ensure the protection of our natural resources in line with the United Nations Sustainable Development Goals (SDG) and we will continue our long-term commitment in all countries in which we operate.



Rowan Packer
Group Sustainability Manager

It has been a year of continuous development in becoming a more sustainability-orientated business across all our departments. Our Board strongly supports our objective to seek improvements in sustainability and to ensure we maintain an open culture allowing employees the freedom to deliver on identified opportunities. Our success with on-site recycling, carbon management, smart metering and sustainable growth has reduced our impact on the environment. I am proud that we have focused on some smaller projects, for example planting 125 trees at a school in London to offset five that were removed from one of our assets in the city, and improved data sharing with our tenants.

My focus in 2018 will be to continue our growth plan for sustainability and to consider how to contribute to wider sustainable development goals through our supply chain and service providers.

Sustainability principles

Protecting natural resources whilst providing for stakeholders

Our Sustainability Charter

Our approach to sustainability is based on our Sustainability Charter (the "Charter") which is a set of pledges relating to the environment, our local communities, the economy and our stakeholders. The Charter is signed by the Board and promises:

- to mitigate our impact on climate change by reducing our carbon footprint
- to be accountable for our performance relating to climate change by reporting regularly against measurable indicators
- to make the most effective use of our duties, powers and resources to minimise the impact of our actions on the environment, and to enhance the environment, community and economy wherever possible
- to monitor our progress by carrying out regular assessments against the pledges of the Charter
- to influence the behaviour of our partners, tenants, suppliers and other stakeholders
- to promote and support social and charitable events in the communities in which we operate

Stakeholder engagement

Our stakeholders are our investors, employees, customers, advisors and contractors, local communities and, when using our buildings, the general public. We engage with our stakeholders both formally, through surveys and consultations, such as our tenant and employee surveys, and informally through our day to day interaction. This stakeholder engagement provides us with valuable feedback that helps inform our business decisions and influences the development of our sustainability strategy, in particular the way we design, build and manage our properties for the future. We are always looking for new ways to engage with our stakeholders and each year we endeavour to engage more. For example, 2018 will see tenant surveys taking place in both Germany and France, a first for CLS and, we understand, for many tenants too.

Responsible investment

We invest in commercial property in three countries. Although our primary investment criterion is high-yield, in order to secure long-term shareholder value, the sustainability of a property is increasingly important, particularly as we see a market shift to thinking more about the working environment and the people using the building. As part of our investment strategy we assess the sustainability credentials of a building in our pre-acquisition due diligence, highlighting areas of existing good practice and,



Front de Parc, Lyon

more importantly, identifying the areas where we can add value through our management of the building. It is through active management of our buildings that we are able to make the biggest difference. We take a pro-active approach to managing building life-cycles, ensuring the sustainability credentials of our buildings improve each year, safeguarding and increasing their value.



Hansastraße 2, Dortmund

Our strategy

Our approach to sustainability

CLS operates in some of the most densely populated office urban landscapes in Western Europe. Faced with the challenges of growing urban populations and climate change, the case for improving the sustainability and resilience of our assets is clear.

The property sector has an important role to play in developing a sustainable society. Making buildings more sustainable significantly contributes towards the United Nations Sustainable Development Goals, for example:

- installing renewable energy supplies reduces carbon emissions and makes energy cleaner and more affordable
- decreasing the energy consumption of a building through replacement of old equipment with new energy saving equivalents and by educating the people using the building and our contractors

- reducing water consumption by replacing old equipment with new
- increasing recycling through provision of suitable bins and education
- designing spaces for people contributing to their health and well-being by considering ventilation, air quality and lighting

Our strategy is designed to align with the United Nations Sustainable Development Goals and is founded on our Sustainability Charter. The Charter is supported by four pillars; Planet, People, Places and Profit (see opposite for more information).

In addition to our own internal monitoring we also participate and align with external platforms like GRESB (the Global ESG Benchmark for Real Assets), FTSE4GOOD, the Carbon Disclosure Project and Real Estate Energy Benchmark to give further assurance over our performance



Mission Marchand, Paris

The four pillars of our strategy

Each of the pillars is designed to be accessible to our Board and our employees, allowing each to integrate them in their activity. For the Board, each pillar is linked to the pledges in the Sustainability Charter. For employees, the pillars provide focus for operational decisions.



Planet

The planet pillar focuses on initiatives that mitigate the impact of business activities on the environment, including climate change, resource use and waste. Understanding how climate change impacts on our business model is important to our future success.



People

The people pillar focuses on initiatives that engage with everyone connected to CLS to raise awareness of CLS's sustainability commitments, objectives and performance. Investing in people is integral to our success and growth. We focus on encouraging a collaborative ethos among our people. We know that if we provide the right environment, we are more likely to reach our full potential.



Places

The places pillar focuses on achieving measurable improvement in the performance of our portfolio by embedding sustainable considerations into design principles, fit-out standards, life-cycle management and day-to-day management of the assets.



Profit

The profit pillar focuses on sustainability initiatives that help to protect against, or manage, financial risks and maximise opportunities that could impact the long-term profitability of the business. We support key industry associations which collectively tackle this subject on a wider industry level.

Our targets

Challenging the way our teams think

Senior management commitment

Across the Group, our senior managers champion sustainability and understand that having the right culture in our teams will provide the conditions to deliver our sustainability targets. Here is what they have to say:

"Sustainability is becoming more important and we continue to engage actively with our customers to improve our performance, particularly in areas such as recycling and energy usage."

Dan Howson, Head of UK

"We must all be aware of our company's environmental impact for future generations. As part of a responsible property company, my team and I make our best efforts to engage all our stakeholders on sustainability."

Philippe Alexis, Head of France

"CLS is a responsible business and its sustainable buildings often give us a unique selling point in the German cities in which we operate. My team and I have achieved a lot in sustainability but there is still plenty more to do."

Rolf Mensing, Head of Germany

"A finance department is not perhaps the most obvious place for sustainability targets, but there are plenty of things we do to contribute towards their achievement, such as encouraging all our suppliers to submit electronic invoices."

John Whiteley, Chief Financial Officer

Sustainability targets are set for the Group at Board level. The targets are communicated to the whole Group by the CEO and each employee is encouraged to adopt them within their personal objectives. Our in-house sustainability team monitors progress towards the targets and reports to senior management regularly.

Our 2018 targets are to:

- minimise our impact on the environment by reducing our operational carbon emissions and water consumption by a further 5% compared to last year
- progress towards generating 5% of the Group's managed like-for-like electricity from renewable and low carbon sources by 2020
- increase recycling above 70% across our managed assets and maintain 100% diversion from landfill on all waste generated
- encourage sustainable behaviour internally and by our stakeholders
- ensure all UK investment properties maintain an EPC rating of D-100 or higher
- install smart meters across all major assets in Germany by the end of 2018
- ensure the majority of employees participate in a community event local to our operations



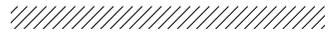
Adlershofer Tor, Berlin



Forum, Lyon

Our environmental performance

We set high standards in monitoring, reporting and sharing our environmental performance with all our stakeholders in order collectively to achieve the targets set out each year.



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The following pages show our environmental performance for each region in which we operate.

The data presented highlights the differences in the local markets particularly those relating to energy and landlord responsibility.

In France, nuclear power provides for over 70% of the national energy consumption whereas in the UK and Germany it is under 10%. As nuclear is a low carbon source of energy, France will naturally have the better carbon performance.

Another factor impacting comparability across the regions is the difference in landlord responsibility. In the UK it is the norm for the landlord to provide and control the energy supply to the whole building whereas in France and Germany each tenant is individually metered and responsible for their own supply, with the landlord responsible only for common parts such as stairwells. This means the usage managed in the UK will naturally be higher.



Our environmental performance

Carbon

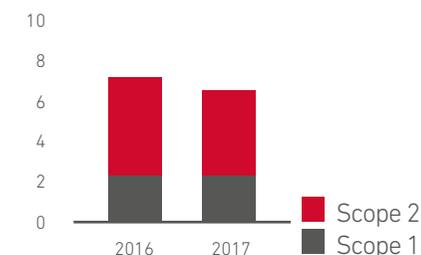
Carbon emissions performance is affected by two main factors in the urban office environment: energy usage and decarbonisation. This year, the UK and France made some significant reductions in their countrywide decarbonisation programmes by reducing fossil fuel use and converting to renewable technology. Coupled with our reductions in energy usage across our assets, this gave us a strong performance on Scopes 1, 2 and 3 as shown in the table below. See page 12 to understand more about the definitions of “scope” reporting.

| | Fuel | 2015 t CO ₂ e | 2016 t CO ₂ e | 2017 t CO ₂ e | 2017 vs 2016 |
|-------------|-------------|-----------------------------|-----------------------------|-----------------------------|-----------------|
| HQ | Scope 1 | – | – | – | n/a |
| | Scope 2 | 54 | 46 | 42 | -10.2% |
| | Scope 1 & 2 | 54 | 46 | 42 | -10.2% |
| | Scope 3 | – | – | – | n/a |
| UK | Scope 1 | 1,387 | 1,862 | 1,869 | 0.4% |
| | Scope 2 | 3,171 | 3,791 | 2,966 | -21.8% |
| | Scope 1 & 2 | 4,559 | 5,653 | 4,835 | -14.5% |
| | Scope 3 | 3,641 | 2,987 | 2,689 | -10.0% |
| France | Scope 1 | 59 | 53 | 53 | 0.6% |
| | Scope 2 | 135 | 107 | 108 | 1.0% |
| | Scope 1 & 2 | 194 | 159 | 161 | 0.9% |
| | Scope 3 | 60 | 45 | 43 | -4.4% |
| Germany | Scope 1 | 380 | 379 | 386 | 1.6% |
| | Scope 2 | 993 | 976 | 1,114 | 14.2% |
| | Scope 1 & 2 | 1,373 | 1,355 | 1,500 | 10.7% |
| | Scope 3 | – | – | – | n/a |
| Total Group | Scope 1 | 1,827 | 2,294 | 2,308 | 0.6% |
| | Scope 2 | 4,353 | 4,920 | 4,230 | -14.0% |
| | Scope 1 & 2 | 6,180 | 7,214 | 6,538 | -9.3% |
| | Scope 3 | 3,701 | 3,032 | 2,731 | -9.9% |

Like-for-like carbon emissions t CO₂e

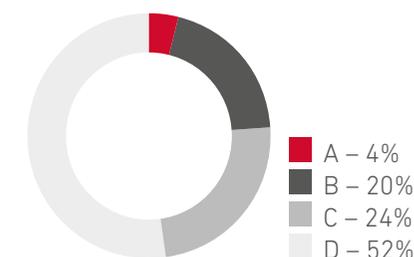
The Group's overall Scope 1 & 2 carbon emissions reduced by 9.3%

Carbon emissions (t CO₂e), thousands



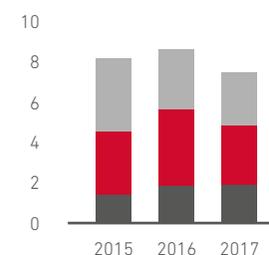
EPC rating

CLS remains fully compliant with the UK MEES regulations and has no office property with an EPC less than a rating of D. CLS's average EPC rating across all assets is C.



UK

(t CO₂e), thousands



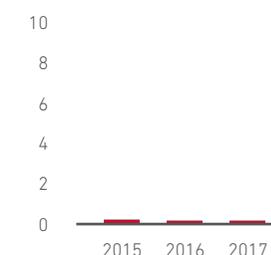
Germany

(t CO₂e), thousands



France

(t CO₂e), thousands



Our environmental performance

Energy

Gas usage slightly increased across the Group in 2017 and remains a focus for us. While electricity usage reduced at Group level, Germany's electricity usage increased. During 2018 smart meters will be installed across the German Portfolio which will give us more visibility of their energy usage in the future.

| | | 2015 kWh (thousands) | 2016 kWh (thousands) | 2017 kWh (thousands) | 2017 vs 2016 |
|-------------|-------------|----------------------------|----------------------------|----------------------------|-----------------|
| HQ | Electricity | 109 | 113 | 106 | -6.9% |
| | Gas | - | - | - | n/a |
| | Total | 109 | 113 | 106 | -6.9% |
| UK | Electricity | 13,615 | 15,086 | 14,640 | -3.0% |
| | Gas | 7,522 | 10,121 | 10,149 | 0.3% |
| | Total | 21,137 | 25,207 | 24,789 | -1.7% |
| France | Electricity | 3,051 | 3,233 | 3,022 | -6.6% |
| | Gas | 674 | 716 | 720 | 0.6% |
| | Total | 3,725 | 3,949 | 3,742 | -5.3% |
| Germany | Electricity | 2,011 | 1,968 | 2,361 | 20.0% |
| | Gas | 2,676 | 2,918 | 2,989 | 2.4% |
| | Total | 4,687 | 4,886 | 5,350 | 9.5% |
| Total Group | Electricity | 18,786 | 20,400 | 20,128 | -1.3% |
| | Gas | 10,873 | 13,754 | 13,858 | 0.8% |
| | Total | 29,659 | 34,154 | 33,986 | -0.5% |

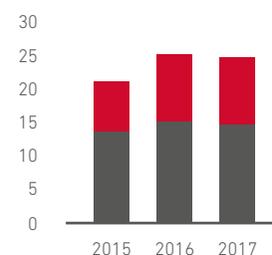
Our Group energy mix

CLS conducted a country by country electricity procurement renewal programme to obtain competitive prices and move away from electricity generated from fossil fuels. 96% of all procured electricity now comes from renewable and low-carbon certified sources.

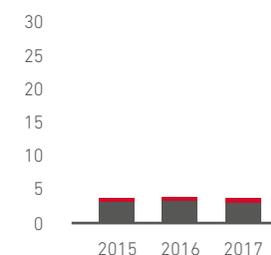


| Fuel | Country | Tariff |
|-------------|---------|-------------------------|
| Electricity | France | 100% Renewable |
| Electricity | France | 72% Nuclear / 28% Mixed |
| Electricity | Germany | 100% Renewable |
| Electricity | UK | 100% Renewable |

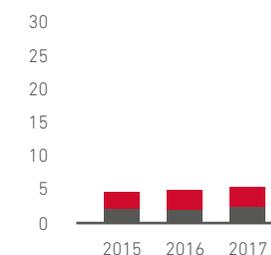
UK
(kWh), millions



France
(kWh), millions



Germany
(kWh), millions



■ Electricity (kWh) ■ Gas (kWh)

Our environmental performance

Waste and water

UK waste

The UK portfolio generates approximately 90 tons of waste per month. This comprises dry recycling, food waste, glass and general waste.



Case study - recycling initiative across the UK managed assets

In June 2016, the UK managed portfolio was set two targets for waste and recycling management:

1. Divert 100% of generated waste from landfill (achieved in July 2017)
2. Recycle at least 70% of all waste generated (achieved in December 2017)

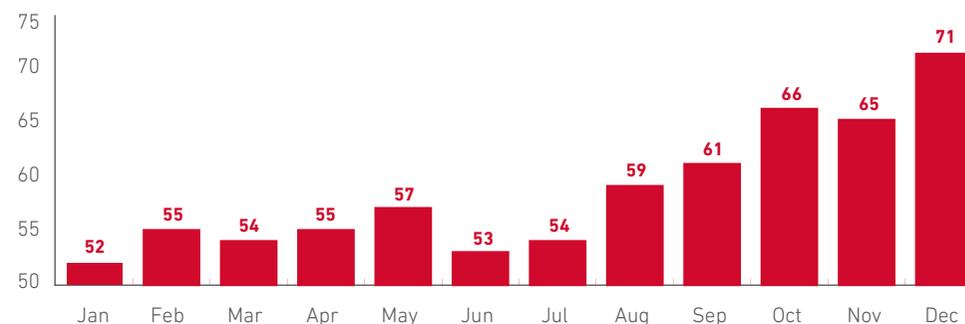
The aim was to improve our corporate performance on recycling and reduce our overall service charge costs. At current prices, general waste is typically 39% more expensive than recycling.

The “Divert 100% from landfill” target was achieved through procuring a national waste contractor for all assets previously serviced

by local waste companies. This allowed us to instruct them to send all our general waste to a waste-to-energy plant instead of landfill. The “recycle” target required ongoing engagement with our tenants and internal property team to review how we managed the different types of waste. The introduction of food recycling to our UK managed assets played a significant role in achieving the target.



% UK recycling rates 2017



Water consumption

| | 2016 m ³ | 2017 m ³ | difference % |
|------------------|------------------------|------------------------|-----------------|
| UK | 75,791 | 70,525 | -7.0% |
| France | 22,274 | 19,903 | -10.7% |
| Germany | 28,229 | 29,866 | +5.8% |
| CLS Group | 126,294 | 120,294 | -4.8% |

Our environmental performance

Renewable energy and low-carbon

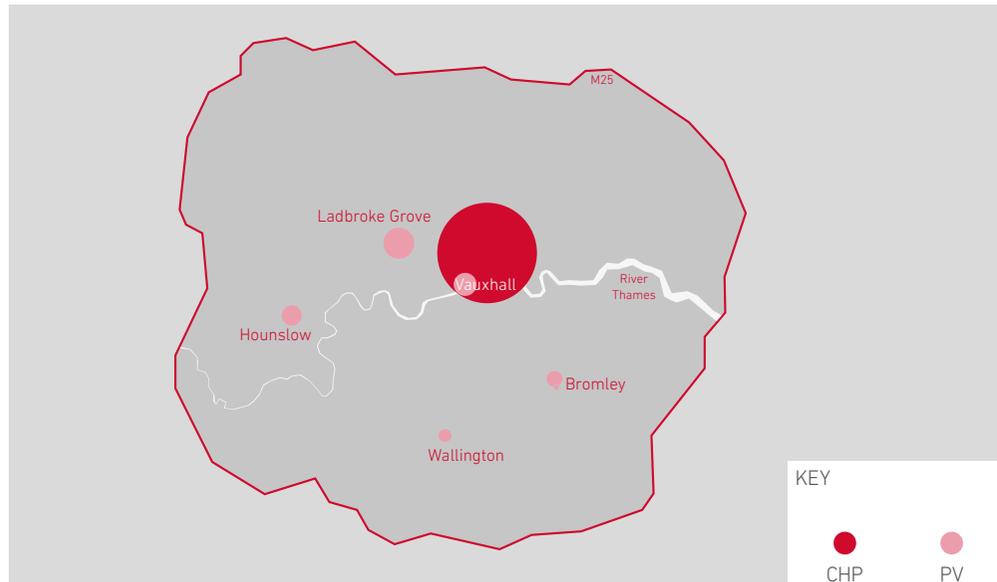
Our target for 2017 was to generate at least 2.50% of the Group's managed like-for-like electricity usage. We achieved 2.64% generation by installing more solar panels on our UK assets and we plan further installations across the Group. We also support low carbon technologies such as combined heat and power plants and ground source heat pumps which we manage on behalf of our tenants at key locations.

2017 like-for-like electricity generation target
2.50%
 2017 achievement:
2.64%

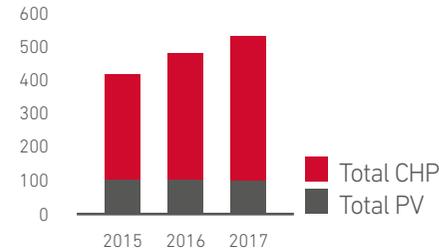
On-site renewable & low-carbon GeoMap

Up to 81% of our on-site generation comes from our combined heat and power (CHP) plant situated at Spring Mews, London SE11.

The remaining 19% comes from the seven photovoltaic (PV) systems we have installed in the UK.



Renewable generation (kWh), thousands



Solar PV case study: One Elmfield Park, Bromley, UK

In 2017, on the roof of One Elmfield Park we installed our seventh solar photovoltaic (PV) system. The 18.63 kWp solar PV array is the fourth largest in the CLS portfolio and will generate over 16,600 kWh of electricity per annum. This will account for around 55% of the common area electricity consumption for the property and save 9.9 tonnes of CO₂ annually. The array has been installed in collaboration with the major refurbishment of the building, which achieved SKA Gold standard.



Common area usage covered by solar PV

55%

Carbon emissions offset each year

9.9 t CO₂

RICS environmental assessment standard for sustainable fit-outs

SKA (Gold)

Our community investment

Committed to where we live & work



1. Bring your child to work day – France

Recognising the importance of balancing work and life, our French office hosted the children of staff for the day. What could be more exciting than seeing what adults really do all day!



3

2. Odyssea charity run – Paris

Joining over 40,000 others to raise money for the fight against breast cancer, female staff from our French office participated in the Odyssea Paris race with CLS contributing €500 towards this great cause.



2



5

3. Gardening with Thrive charity – London

Encouraging integration and teamwork across the organisation, staff from six departments came together to support Thrive, a charity which uses gardening to change the lives of people living with disabilities or ill health, or who are isolated, disadvantaged or vulnerable. As well as providing time, CLS also made a financial contribution to the charity.



4

4. CLS HQ Christmas Jumper Day

Raising money for the charity Refuge, which supports women and children who have experienced domestic violence, staff at HQ donned their favourite Christmas jumpers for the day.

5. and 6. Brixton Soup Kitchen – South London

Continuing their support of our local environment and community, the UK finance team spent the day at the Brixton soup kitchen and community hub where they sorted through donations and cleared the garden ahead of the summer months. In addition, CLS contributed to the soup kitchen's funds.



6

Methodology

Emissions reporting

The reporting period for greenhouse gas emissions is the year ended 31 December 2017, which is consistent with previous years' reporting periods, and with the reporting period of the Annual Report.

Definitions

Absolute

All emissions from all buildings under operational control at any point in the previous 24 months.

Like-for-like

All emissions from buildings over which the Group has had operational control continuously in the previous 24 months and which have had a change in occupancy rate of less than 25%.

Scope 1

Emissions mostly attributable to space and water heating using gas.

Scope 2

Emissions attributable to cooling and ventilation of office space, water heating, small power and lighting.

Scope 3

Emissions attributable to electricity used within tenant premises, primary business travel and F-gas emissions.

Reporting

Our reporting includes all Scope 1 and Scope 2 emissions for which the Group is responsible, and Scope 3 data which is available. For Scope 2 emissions, we have used location-based emissions.

The Group's emissions are largely from the multi-let buildings managed by the Group. We do not report on buildings let on a full repairing and insuring basis or on developments. Each region uses agreed floor areas in order to benchmark its energy and carbon emissions.



Glossary

CHP

Combined Heat and Power is an energy efficient technology that generates electricity and captures the heat that would otherwise be wasted to provide thermal energy, such as steam or hot water

CSR

Corporate Social Responsibility

Decarbonisation

The reduction or removal of carbon dioxide from energy sources

EPC rating

Energy Performance Certificate rating which indicates the energy efficiency of a building on a scale of A to G, where A is the most energy efficient

F-gas

A term used to describe a particular family of fluorinated gases which are widely used as refrigerants in air-conditioning and commercial refrigeration systems

kWh

A kilowatt hour, which measures the amount of energy being used

kWp

Kilowatts peak is a rating given to a solar electricity system denoting the rate at which it generates energy at peak performance

MEES

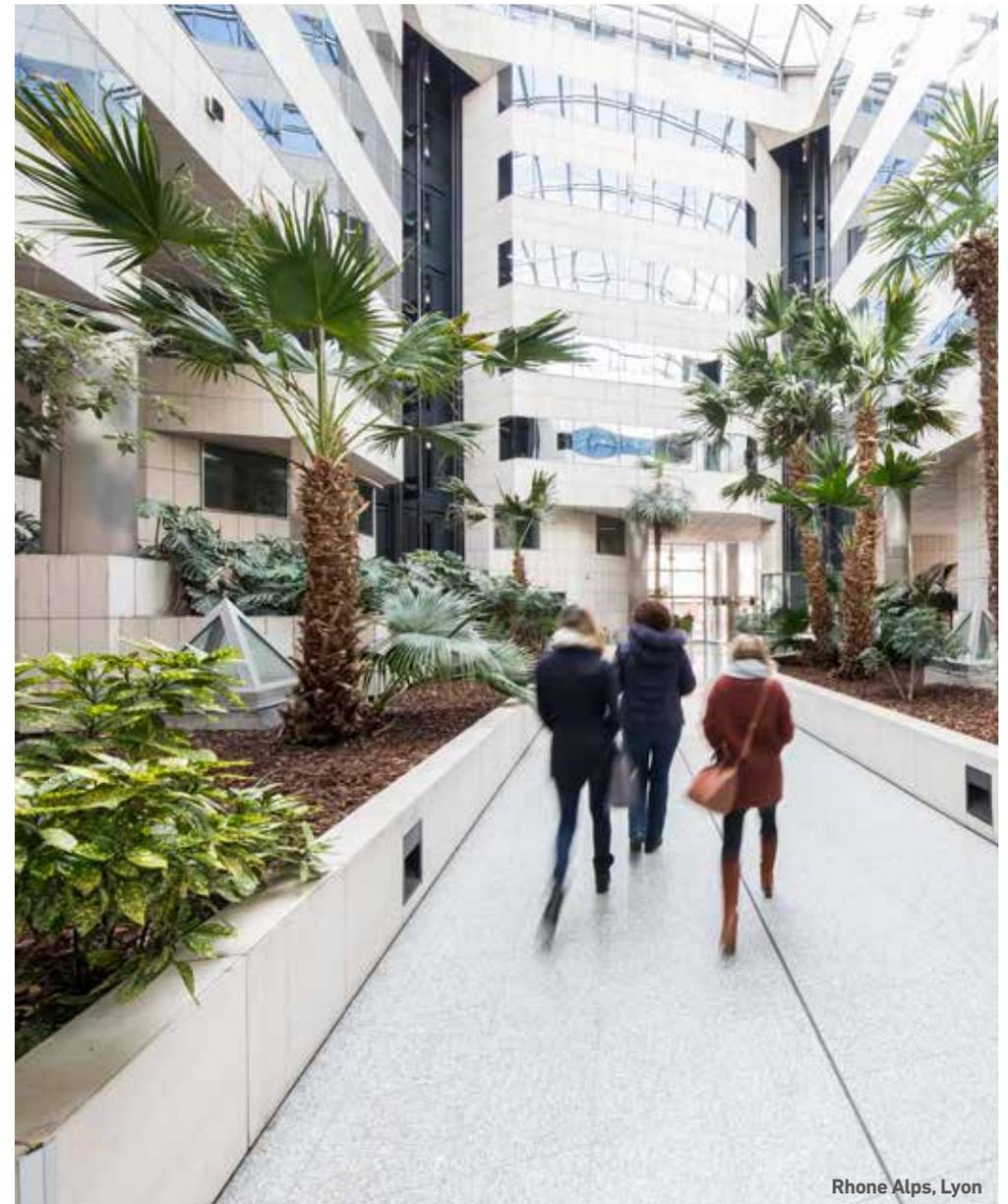
Minimum Energy Efficient Standard regulations introduced from 1 April 2018 to ensure new tenancies cannot be granted if the building has less than the minimum EPC rating of E

PV

Photovoltaic is a type of solar panel which converts light into electricity using semiconducting materials

t CO₂e

Tonnes of carbon dioxide equivalent, which is a measure that allows a comparison of emissions of other greenhouse gases relative to one unit of CO₂



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